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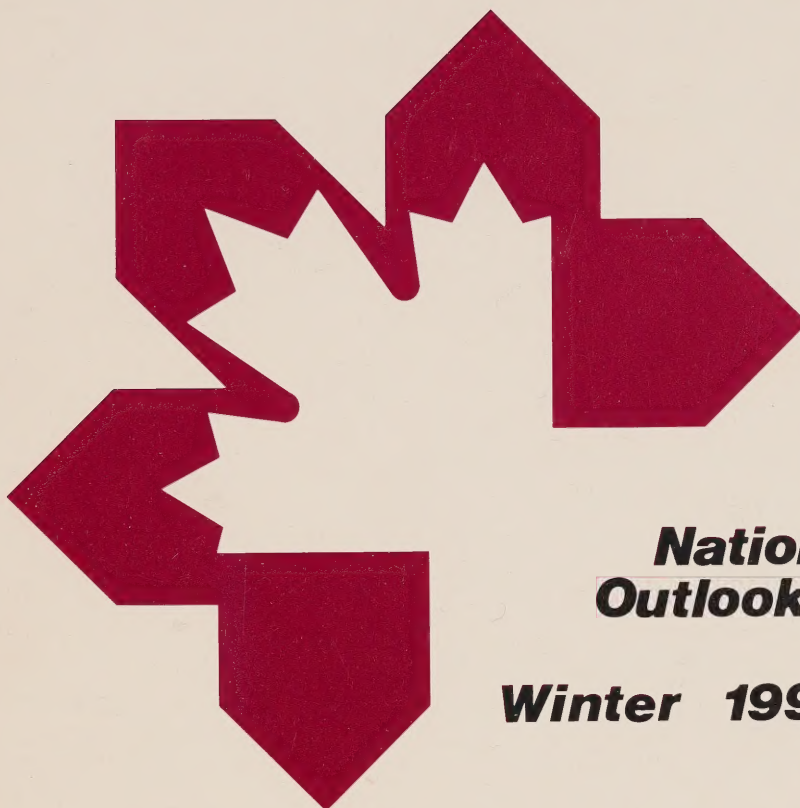


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***National Housing  
Outlook***

***Winter 1990***









**NATIONAL HOUSING  
OUTLOOK  
WINTER, 1990**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast Prepared February 20, 1990





# Canada

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### EXECUTIVE SUMMARY

Overall housing activity in Canada is expected to remain strong in 1990. Further gains in British Columbia and Alberta, a projected decline in mortgage rates throughout 1990, and increased levels of net migration will continue to support an overall high level of activity during this period. Additionally, low inventories, strong international migration offsetting weaker interprovincial migration, as well as assisted rental housing units, will support a relatively high level of activity in Ontario. The total number of starts for 1990 is projected to be 202,500 units, down slightly from the 215,382 units started in 1989.

#### ***Newfoundland***

Housing market performance in Newfoundland will reflect the slowdown in economic growth. Total starts are expected to decline 11 percent to 3,150 units in 1990, reflecting declines in fisheries output and increased outmigration from the Province. Single-detached starts will decline by 18 percent while multiple unit starts will advance by 24 percent helped by assisted multiple unit starts.

#### ***Prince Edward Island***

Total housing starts are forecast to decline by five percent to 775 units. Although lower mortgage rates will increase the demand from first-time homebuyers, a slow economy will result in no change in overall demand for single-detached units, while rental demand will weaken considerably. Single-detached starts will rise by two percent to 465 units, while multiple unit starts will fall by 32 percent in 1990.

#### ***Nova Scotia***

After three years of continuous decline, housing starts in Nova Scotia will weaken further in 1990. Total starts are forecast to decline eight percent to 4,950 units in 1990. Single-detached starts are forecast to decline 11 percent while multiple unit starts will decline five percent. The concentration of building activity will be in Metro Halifax, as the city records good economic and population growth, while starts in rural areas will weaken in response to significant employment reductions in various industries.



### ***New Brunswick***

Housing markets in New Brunswick will continue to post modest decreases in activity as a result of slower economic growth and weaker immigration. Total housing starts will drop eight percent to 3,400 units in 1990. The number of single-detached units started will decline from 2,909 units in 1989 to 2,600 units in 1990, while multiple unit starts are expected to continue the upward trend experienced last year and are projected to reach the near record level of 800 starts in 1990.

### ***Quebec***

The housing market in 1990 will be characterized by weak domestic demand, partially offset by an improvement in total net migration. High vacancy rates and cautious investors will contribute to a 15 percent decline in total housing starts to 41,700 units in 1990. Single-detached starts will decrease from last year's levels as a result of lower economic growth. In contrast high vacancy rates and employment losses for those under 25 years of age will contribute to a 21 percent decline in multiples in 1990.

### ***Ontario***

Weaker employment growth, a deterioration in net interprovincial migration and affordability will result in a decline in the level of privately initiated activity in 1990. Despite a higher level of socially-assisted units, the overall level of starts will decline from that of 1989. Total starts are projected to decline by 11.4 percent to 82,700 units due to a 17.6 percent decline in single-detached starts. Multiple unit starts will decrease by three percent as a result of a higher level of socially-assisted units.

### ***Manitoba***

Stable economic growth, lower mortgage rates and an effort by some purchasers to buy new houses before the implementation of the GST in 1991 will contribute to a modest improvement in the demand for housing in 1990. Total housing starts will increase eight percent to 4,400 units in 1990. Both single-detached starts, with a gain of eight percent to 3,200 units, and multiples, with a gain of seven percent to 1,200 units, will benefit from the improvement in demand.



### ***Saskatchewan***

Although some economic gains are expected in 1990, few of the underlying forces in the housing market will change. Most important is the continued outmigration. Total housing starts will be 2,300, an increase of twenty percent from last year. Most of the gain will be in single-detached starts which will rise to 1,700 units in 1989. Oversupplied rental and condominium markets will continue to dampen multiple unit starts which will increase by less than 100 units to 600.

### ***Alberta***

The most important factor for Alberta housing markets in 1990 will be strong demand. In addition to strong employment growth and high net immigration, demand will be affected by foreign investment activity as well as an effort by buyers to purchase new homes before the GST is implemented in 1991. Despite the emergence of supply constraints, total housing starts will reach 16,600 units in 1990, an increase of 13 percent from 1989. Single-detached starts will increase by six percent to approximately 13,000 units. Multiple starts will show the biggest gain, growing by almost 50 percent to 3,500 units.

### ***British Columbia***

Total housing starts are forecast to be 42,500 units in 1990 up from 38,894 units in 1989 and will exceed the previous record of 41,585 units set in 1981. Single-detached starts are forecast to rise to 23,750 units in 1990 from 21,612 units in 1989. Rising prices due to higher demand will stimulate construction of single-detached starts. Multiple starts are forecast to rise to 18,750 units from 17,282 units in 1989. Low rental vacancy rates and strong condominium demand will contribute to a higher level of starts.





## Canada

### Housing Market Review - 1989

**T**he strength of housing activity in Canada in 1989 continued to outperform expectations. Total housing starts exceeded 200,000 units for the third consecutive year while existing unit sales matched the record level of activity set in 1988. This strength occurred despite slower economic growth, a higher level of mortgage rates and weaker consumer confidence.

Total housing starts at 215,382 units were down a modest three percent from the level of 222,562 units in 1988 and 12 percent from the peak in the current cycle of 245,986 units in 1987. Strong gains in British Columbia and Alberta and continued high levels in Quebec and Ontario contributed to the overall level in 1989.

After a strong start at the beginning of the year with starts averaging a seasonally adjusted annual rate (SAAR) of 226,000 units in the first quarter, total starts slowed in the second quarter to 208,000 units SAAR in response to higher interest rates and increased uncertainty. Interest rates began to edge down by the end of the second quarter leading to a modest recovery in activity to 215,000 units SAAR in the third quarter and 217,000 units SAAR in the fourth quarter of 1989.

The high level of activity in 1989 was due to strong gains in British Columbia and Alberta as well as continued momentum in Ontario and Quebec, despite a decline in activity in the latter two provinces. Newfoundland and New Brunswick also recorded higher levels of starts while activity declined in all other provinces. Alberta recorded the strongest gain, increasing by 30 percent to 14,712 units while British Columbia followed closely, increasing 28 percent to 38,894 units. Strong employment growth as well as high levels of migration and low vacancy rates contributed to the sharp increase in British Columbia. In Alberta, lower inventories and vacancy rates and improved migration and confidence contributed to the strong performance of the housing market.

Despite high inventories and vacancy rates, total starts in Quebec continued to remain relatively strong at 49,058 units although they were down 16 percent from a year earlier. Total starts in Ontario were down seven percent but at 93,337 were still at a high level.

Overall activity was mixed in the Atlantic provinces. Total starts were up 12 percent in Newfoundland, spurred by strong growth in employment and incomes and a significant improvement in total net migration. In New Brunswick, starts were up a modest two percent and down 29 percent in



Prince Edward Island and two percent in Nova Scotia. The weakest provinces were Saskatchewan and Manitoba which recorded declines of 51 percent and 25 percent respectively. The sharp drop in the agricultural sector in 1988 and the subsequent impact on confidence, migration, vacancy rates and prices contributed to the weakness in these two provinces.

Matching underlying regional housing market trends, vacancy rates declined in the major metropolitan areas in British Columbia and Alberta in 1989. Vacancy rates in Vancouver and Victoria remained below one percent, while rates edged below two percent in Calgary and three percent in Edmonton. By contrast, vacancy rates in Manitoba and Saskatchewan continued to rise as a result of strong net outmigration. In Ontario, the overall level of rates remained unchanged at less than one percent, while the direction of rates was varied in Quebec. Although rates jumped to approximately five percent in Montreal in October 1989, they declined in most other metropolitan areas in the province in 1989. Vacancy rates either declined or were unchanged in most metropolitan areas in the Atlantic provinces.

The resale market also mirrored new construction. Following a strong first quarter, the total number of existing units sold fell sharply in the second quarter before recovering in the third and fourth quarters. Similar to new construction, an easing in mortgage rates in the second quarter as well as strong gains in British Columbia and Alberta contributed to the overall strength in 1989. The rebound in the latter half of the year was strong enough to ensure another year at the record level set in 1988. Alberta and British Columbia led the increase in activity and, along with Prince Edward Island and Quebec, were the only provinces to record higher levels of sales. Ontario recorded the largest decline, followed by Newfoundland, Manitoba, Saskatchewan, New Brunswick and Nova Scotia.

Trends in prices also mirrored trends in regional activity. British Columbia and Ontario continued to lead the country in price gains, with B.C. supplanting Ontario as the leader. Price increases accelerated in Alberta in response to reduced inventories and a strong improvement in demand. Price increases averaged less than four percent in Saskatchewan and Manitoba in line with the overall weak economy and housing market. Price gains also eased substantially in Quebec. Price gains were varied in the



Atlantic provinces ranging from 13 percent in Prince Edward Island to five percent in Nova Scotia.

## 1990 Outlook

### Economy

The Canadian economy slowed substantially in 1989 in response to higher interest rates and lower confidence and is expected to slow further in 1990. While the outlook is for continued, albeit slower growth, the risk of a recession exists.

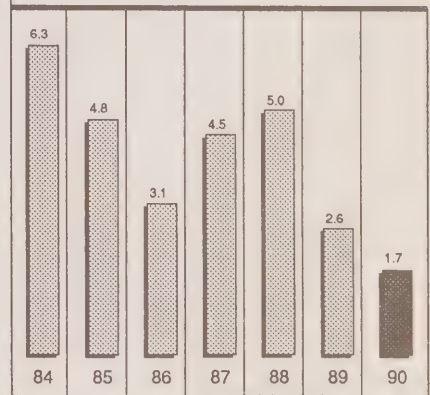
Economic growth is forecast to decline from an estimated 2.6 percent in 1989 to 1.7 percent in 1990. The slowdown will be widespread with substantially weaker growth expected in most components of aggregate demand.

Consumer expenditure will be a major factor contributing to the slowdown. Consumer spending on goods and services is the largest component of expenditure and most indicators of future spending point to a slowdown, although a sharp retrenchment is not expected. A low level of discretionary savings, high debt levels, weak consumer confidence and projected weaker income growth in 1990 suggest that consumer spending will slow during this year. Expenditure on consumer durables, particularly autos and auto parts, will be the hardest hit, while spending on services will remain strong supporting further gains in overall consumer spending in 1990.

Similarly, investment expenditure, which continued to remain healthy in 1989, slowed from the strong gains made in 1987 and 1988 and is expected to slow further in 1990. Declining corporate profitability, a downward trend in capacity utilization, weaker foreign and domestic demand, and a deterioration in confidence will contribute to a further slowdown in spending in this category in 1990. Despite the slowdown, investment expenditure will lead growth during 1990 and will help propel the economy forward. Investment in manufacturing and utilities will contribute to increased spending in this category in 1990.

Although net exports are expected to improve in 1990 in response to a slight recovery in exports and weaker import demand, this will not contribute much to growth during this year. Net exports, while adversely affected by

**REAL GROSS DOMESTIC PRODUCT  
% CHANGE  
CANADA**



ACTUAL FORECAST

SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

weaker foreign demand, will benefit from a lower Canadian dollar and sustained U.S. growth. Imports are projected to grow at a slower pace in 1990 as imports of consumer and investment goods eases along with weaker expenditure in these categories.

Although the outlook is for continued, albeit slower growth, the risk of a recession exists. High interest rates in the U.S. and Canada during the past year have slowed growth in both countries and it is still uncertain as to how consumption and investment expenditure will respond. The high level of residential investment in 1989 and projected strength in 1990 support the greater likelihood of continued, albeit slower, growth in 1990.

Employment growth is also expected to slow in 1990, along with a weaker economy. Similar to other trends in the economy, overall employment growth will be supported by strong gains in British Columbia and Alberta, despite a slowdown in job creation in central Canada. Employment growth is expected to slow from 2.0 percent in 1989 to 1.1 percent in 1990. This represents a substantial slowdown from the average growth rate of 3.0 percent recorded during the 1985 to 1988 period. The unemployment rate is projected to increase to over 8.0 percent in 1990, after averaging 7.5 percent in 1989. British Columbia and Alberta will lead employment growth in 1990 followed by New Brunswick. Employment growth, with the exception of some of the Atlantic Provinces, will be weakest in Quebec and Ontario. This is in sharp contrast to the trends of the past seven years. Although employment growth is projected to improve in Manitoba and Saskatchewan it will continue to remain weak.

### ***Inflation***

Inflation as measured by either the GDP deflator or the Consumer Price Index (CPI) was higher in 1989. While tight labour and product markets placed upward pressure on prices during this period, indirect taxes also contributed to higher prices particularly during the middle of the year. Growth in both the GDP deflator and the CPI began to ease in the second half of the year as a firm monetary policy began to slow domestic demand. A further easing in labour and product markets in 1990, as evidenced by higher capacity utilization and the unemployment rate, will permit a further easing in inflationary pressures. Consumer price inflation is expected to slow from 5.0 percent in 1989 to under five percent in 1990.

## Mortgage Rates

In line with slower growth and easing in inflationary pressures, most forecasters expect a lower level of interest rates by the end of 1990. Over the course of 1989 one year mortgage rates fluctuated around 12.84 percent on average. In 1990 one year mortgage rates should drop about one percentage point. Mortgage rates should start to decline in the second quarter and will decline further during the third quarter of 1990. However, the mortgage rate curve will remain inverted until the fourth quarter of 1990. Recent developments in world capital markets could limit the decline in mortgage rates due to interest rate increases in both Japan and West Germany.

## Housing Market

Overall housing activity is expected to remain strong in 1990. Further gains in British Columbia and Alberta, a projected decline in mortgage rates throughout 1990, and increased levels of net migration will continue to support an overall high level of activity during this period. Additionally, low inventories, strong international migration offsetting weaker interprovincial migration, as well as higher levels of assisted rental housing units, will support a relatively high level of activity in Ontario.

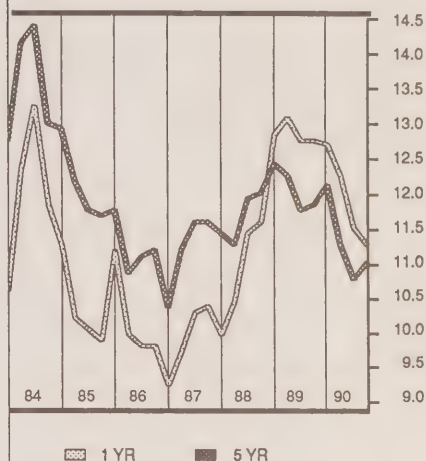
The total number of starts for 1990 is forecast to be 202,500 units, slightly below the 215,382 units started in 1989. A modest decline in the construction of single-detached units will contribute to the lower level of activity. Single-detached starts will decline by 7.4 percent to 116,600 units, led by a sharp decline in Ontario. Multiple unit starts, at 85,900, will be slightly lower than last year's level of 89,400 units. Despite a 21 percent decline in multiples in Quebec, strong gains in Alberta and British Columbia will sustain overall activity at the previous year's level. Similar to 1989, projected higher starts in British Columbia and Alberta as well as continued strength in Ontario will contribute to the overall level of activity.

A number of factors support the continued high level of activity in 1990. The principal ones include the shift in the regional distribution of activity from central Canada to British Columbia and Alberta, further increases in net international migration, and a projected decline in mortgage rates.

## MORTGAGE RATES

### PERCENT

#### MAJOR FINANCIAL INSTITUTIONS

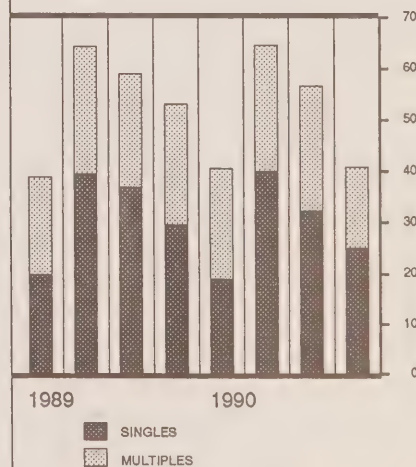


SOURCE: BANK OF CANADA REVIEW; CMHC.

## HOUSING STARTS

### UNITS THOUSANDS (QTRLY)

#### CANADA



SOURCE: CMHC.



Although activity in central Canada is projected to continue to slow from the high levels recorded since 1987, strong gains in Alberta and British Columbia will partially offset the decline in Ontario and Quebec. In addition, although privately initiated starts in Ontario are expected to decline in response to weaker economic growth, a deterioration in net interprovincial migration and affordability, a sharp increase in socially-assisted units will continue to support an overall high level of activity in Ontario in 1990. Excluding the socially-assisted units, total starts are much weaker and are more consistent with the decline in economic growth and interprovincial migration projected for the province.

Total starts in British Columbia are forecast to increase by a further nine percent in 1990, led by a 12 percent increase in single-detached starts. Continued strong economic growth, high net interprovincial and international migration, as well as low vacancy rates and inventories will support higher levels of activity in British Columbia. Similarly, in Alberta, a 50 percent increase in multiples, led by both private market rental and condominiums, will bring the total level of starts to 16,600 units in 1990. A sharp reduction in inventories and vacancy rates during the past year as well as a significant improvement in net immigration during the past two years are the key factors contributing to the higher level of activity. A modest recovery in both Manitoba and Saskatchewan from the low levels in 1989 will also contribute to the overall strength in starts.

The high level of units started in Quebec in 1989 continued to surprise most industry analysts. Inventories and vacancy rates continued to remain high throughout 1989 and, consequently, are expected to result in a further decline in multiple unit starts. Multiples are projected to decline by 21 percent, affecting all categories of multiple unit starts. Overall, total starts in Quebec will fall by 15 percent in 1990, leading the provinces in the magnitude of the decline in both multiple and total starts. Along with slower economic growth, all of the Atlantic provinces will record lower levels of activity in 1990. The decline in the Atlantic provinces will be widespread, affecting all provinces, with the drop largely concentrated in singles.

A strong inflow of migrants from outside of Canada is also a major factor contributing to a high level of housing starts during the forecast period. Total net migration is estimated to increase from approximately 120,000 persons in 1988 to 143,500 in 1989 and to 159,100 in 1990. Strong

international migration will not only influence the national requirements but also the regional trends in household formation. This will help support strong underlying demand in Ontario and Quebec which are projected to experience net interprovincial outflows and will also contribute to strong gains in British Columbia. Ontario will continue to lead the country with total net migration of 76,000 in 1990, followed by British Columbia with total net migration close to 60,000 in both years. They will be followed by Quebec, which at 26,500 in 1990 is almost double the level recorded in 1987. This inflow will help place a floor under the level of activity in Quebec in 1990. Alberta is expected to record a sharp increase in total net migration in 1990 largely due to an improvement in net interprovincial migration. The other Prairie provinces will continue to experience a strong net outflow, although some improvement is projected. Net interprovincial migration is expected to deteriorate in most of the Atlantic provinces.

Vacancy rates in 1990 will largely mirror the levels in 1989, although some regional improvement will occur. Rental markets in the major metropolitan centres in Ontario and British Columbia will continue to remain tight, at less than 1.0 percent on average. Vacancy rates will ease slightly in Quebec but will continue to remain high, above 3.0 percent in most metropolitan areas. Low rental supply and strong demand will push rental vacancy rates down throughout most of Alberta. Vacancy rates in Edmonton and Calgary will remain below 2.0 percent throughout 1990. Similarly, limited rental construction in both Manitoba and Saskatchewan plus a modest improvement in demand will allow vacancy rates to drift slightly lower in 1990, although rates will continue to remain high in both provinces. The outlook for rental markets is mixed in the Atlantic provinces. Economic and employment growth and an improvement in net interprovincial migration will support a balanced market in 1990 in Nova Scotia, while a low level of multiple unit starts in New Brunswick will help keep the St. John vacancy rate in the three to four percent range throughout 1990. Vacancy rates are expected to rise slightly in Prince Edward Island to 4.5 percent while they are expected to average between four and 6.4 percent in Newfoundland, following some improvement in 1988 and 1989.

Resale activity will also closely mirror the regional trends for new construction. With the exception of Ontario and Nova Scotia, sales of existing units are projected to increase in all other provinces in 1990.

British Columbia will record the strongest increase in the level of sales, with strong percentage increases in Newfoundland and Manitoba. The remaining provinces will experience increases in the range of two to seven percent. Total sales of existing units in Ontario are projected to decline by 11.5 percent.

British Columbia will also continue to lead in price gains, increasing by 18 percent, although down slightly from 1989. A tight supply of new units as well as increased demand from investor activity, net immigration and solid employment growth will contribute to average price increases in Alberta of 12 percent in 1990. The annual average increase in resale prices in Ontario, at 3.8 percent in 1990, will be the first time prices have increased by less than 10 percent since 1985. Buyers market conditions in Manitoba and Saskatchewan will limit price increases to less than five percent in these provinces in 1990. At 5.0 percent, Quebec will closely match last year's gain. Price gains in the Atlantic provinces will average between five and eight percent.



## Newfoundland

### Housing Market Review - 1989

**S**purred by strong growth in employment and incomes and a significant improvement in total net migration, the housing market posted solid gains in 1989. Total starts increased 11.6 percent to 3,536 units, the highest level since 1980. Single-detached starts were up 3.3 percent to 2,932 units while multiple starts advanced 83.6 percent to 604 units. The sharp increase in multiple starts is attributed to a carry-over of federal/provincial assisted housing and renewed investment in new private multiple-unit construction in urban areas of the province.

Following a record year for MLS sales in 1988, the resale market in the St. John's CMA slowed in 1989. High mortgage rates and a return to more normal sales patterns in the absence of an agreement for development of the Hibernia project limited MLS sales volumes to 1,956 units, down 8.3 percent from 1988 levels. The average sales price advanced 8.0 percent to an annual average of \$83,273. The resale market in central Newfoundland remained buoyant with 82 MLS sales recorded, for an average sales price of \$85,604. MLS sales for Newfoundland totalled 2,040 units, down 8.0 percent from 1988 levels.

The rental market in the St. John's CMA continued to show improvement with a further reduction in the number of vacant units in the second half of 1989. The vacancy rate for privately initiated apartment structures containing six or more units declined to 5.7 percent in October from 8.8 percent a year earlier, reflecting the continuation of a downward trend arising from limited new rental apartment (six units and over) construction.

### 1990 Outlook

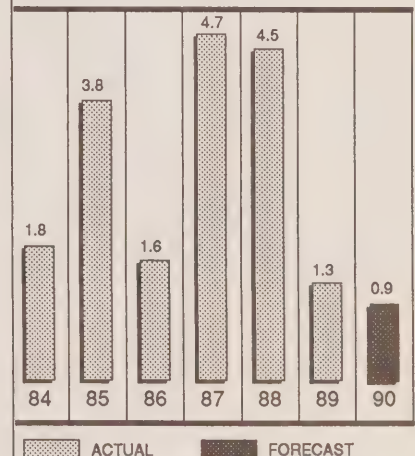
#### Economy

Economic growth in the province is estimated to have slowed to 1.3 percent in 1989 and is forecast to decline further to 0.9 percent in 1990. The resource crisis in the fishery, soft markets for newsprint, increased taxation and high interest rates will affect prospects for economic growth during this period.

The fishing industry in 1989 was characterized by prolonged work stoppages and temporary shutdowns arising from lower groundfish quotas. The outlook for fisheries over the forecast period is at best bleak. Substantially reduced quotas under the 1990 Groundfish Management Plan



### REAL GROSS DOMESTIC PRODUCT % CHANGE NEWFOUNDLAND



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

and in particular the total allowable catch of the northern cod stock will result in plant closures, retirement of trawlers and a downsizing of the industry generally. The two major fish companies have announced the planned closure of four processing plants, affecting approximately 2,000 employees. The provincial government has agreed to finance an extended notice period for employees that would result in the plants remaining open for a minimum of 20 weeks in 1990 and 1991, after which time they will permanently close. Decisions relating to the rationalization of inshore processing operations in the wake of reduced inshore allocations have not yet been made but further job losses are expected. Negotiations are currently underway for the development of a comprehensive federal/provincial response program to lessen the devastating effect of the layoffs on the employees and affected communities.

Because of soft market conditions the forest products sector is forecast to experience weaker growth during 1990. An oversupply of newsprint on world markets, low productivity and the strength of the Canadian dollar are the principal factors in the Abitibi-Price decision to shut down one of its paper machines in the province. The shut down, slated for early 1990, will result in the loss of approximately 400 jobs. World capacity is expected to continue to exceed demand over the forecast period. Following modest growth of 1.0 percent in 1989, mining output is forecast to advance in 1990 by 4.2 percent. Renewed interest in offshore drilling is expected to contribute to the increased growth in mining output. Growth in manufacturing output is forecast to slow in 1990 because of declines in fisheries output and softening newsprint markets.

Negotiations leading to a final legal agreement for the pre-production phase of the \$5.2 billion Hibernia Development project have not yet concluded. An expected agreement to proceed with the development in mid-1990 would bring significant non-residential investment associated with the project. A redesign of the topsides from 17 smaller components to 5 super modules may affect job creation levels. An operating company to manage the development has been formed and is currently being established in St. John's. Further delays in concluding the agreement would negatively affect the forecast of economic growth for 1990.

Slower economic growth, increased taxation and reduced confidence levels will serve to weaken consumer spending and limit service sector

growth over the forecast period. Following solid gains in employment in both 1988 and 1989, employment growth is forecast to slow to 0.5 percent in 1990. Significant reductions in fisheries output and slower service-sector growth will weaken employment growth in 1990.

The reduction in the net outflow of migrants experienced during the past two years will not be repeated over the forecast period. Total outmigration figures are forecast to increase to 2,500 in 1990. The increased net loss in migration will be triggered by closures and a general downsizing in the fishery.

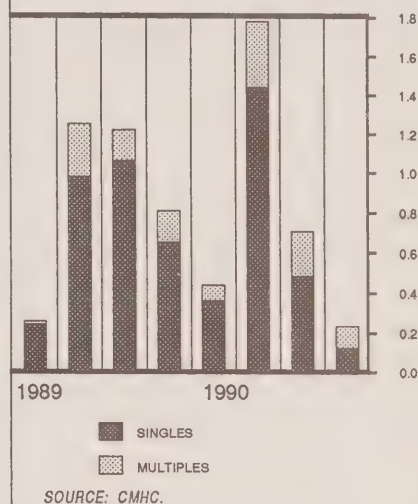
### Housing Market

Housing market performance in Newfoundland over the forecast period will reflect the slowdown in economic growth. Total starts are expected to decline 10.9 percent to 3,150 units in 1990. Single-detached units in 1990 are forecast to decline by 18.1 percent, reflecting declines in fisheries output and increased outmigration from the province. Multiple-unit starts will advance by 24.2 percent to 750 units in 1990. Assisted multiple starts are expected to reach 240 units in 1990. Market rental, condominium, and single-detached units with basement apartments (duplex units) will account for the balance.

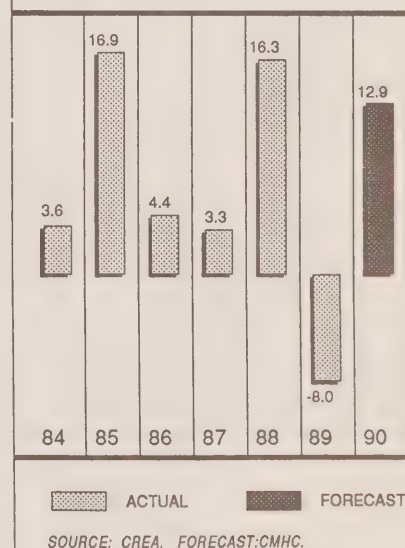
Following a reduced level of MLS sales volumes in 1989, the resale market in the St. John's CMA is poised to advance in 1990. Lower interest rates, the continuation of a strong move-up market and an expected agreement on the Hibernia Development will increase total sales by 12.5 percent to 2,200 units in 1990. In Central Newfoundland, 100 sales are forecast for 1990. In total, MLS sales in Newfoundland are forecast to increase 12.9 percent to 2,300 units in 1990. Average MLS house prices are forecast to advance by 7.4 percent in 1990.

Weak rental market conditions have persisted in the St. John's CMA since April 1986, because of strong demand for homeownership, an ongoing supply of new basement apartments and outmigration. Vacancy rates have declined from a peak of 10.8 percent in April 1988. Vacancy rates are expected to range between 4.0 and 6.4 percent during 1990. Rental rates for average-quality accommodation are expected to increase at or slightly below the rate of inflation. Growth in rental rates for lower-quality rental stock will continue to be limited by high vacancy rates.

**HOUSING STARTS  
UNITS THOUSANDS (QTRLY)  
NEWFOUNDLAND**



**RESIDENTIAL MLS SALES  
% CHANGE  
NEWFOUNDLAND**







## Prince Edward Island

### Housing Market Review - 1989

**T**he provincial economy has softened as the result of rising unemployment, declining consumer and business confidence, and net outmigration. Non-residential construction and agriculture were the strongest sectors of the economy in 1989. Retail trade grew modestly from the very high levels achieved in 1988. Manufacturing shipments barely kept up with inflation. Employment averaged 55,000 in the first half of 1989 but declined to 53,000 by the fourth quarter. As a result, the housing market in Prince Edward Island weakened in 1989.

Housing starts declined by 29 percent from 1,151 units in 1988 to 815 in 1989. Single-detached units accounted for most of the decline, down by 35 percent to 456 units while multiple-unit starts declined by 20 percent to 359.

Residential sales through the Multiple Listing Service (MLS) increased during the year, as real estate agents and consumers took advantage of an improved catalogue system. MLS active listings more than doubled from 1988 levels. Sales grew by a lesser amount, 24 percent, to 626 units. The average residential MLS price rose by 13.3 percent to \$74,168 in 1989 compared to \$65,464 in 1988. This rise in average prices overstates the actual increases in market values because increasingly more higher priced homes are now being sold through MLS. House price increases and mortgage interest rates, which remained relatively high throughout 1989, combined to reduce affordability. As a result, demand did not increase as much as the supply of MLS listings. The sales to listing ratio declined to 7.3 percent in 1989 compared to 12.4 percent in 1988.

The October 1989 rental market survey indicated a slight increase in the Charlottetown CA vacancy rate to 2.9 percent from 2.7 percent in 1988. Though marginal, the increase reflects the general softening of housing demand, which has affected the homeownership market more strongly than the rental market.

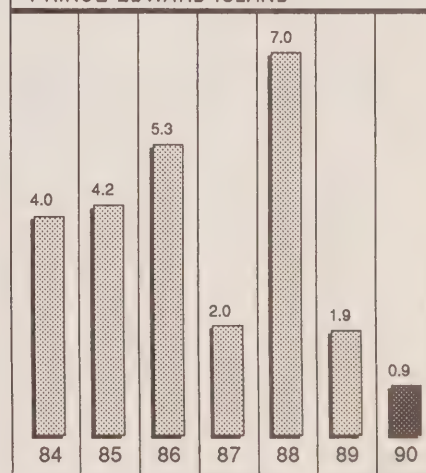
### 1990 Outlook

#### Economy

Tourism, potato yields, and favourable farm gate prices will provide some relief, but the 1990 outlook for Prince Edward Island is for the slowest economic growth since the 1982 recession.



**REAL GROSS DOMESTIC PRODUCT  
% CHANGE  
PRINCE EDWARD ISLAND**

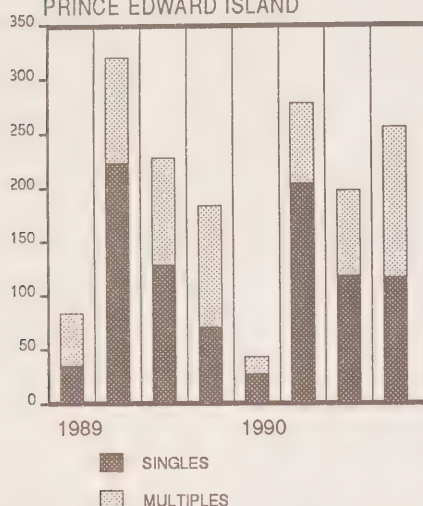


ACTUAL FORECAST

SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

**HOUSING STARTS  
UNITS HUNDREDS (QTRLY)**

PRINCE EDWARD ISLAND

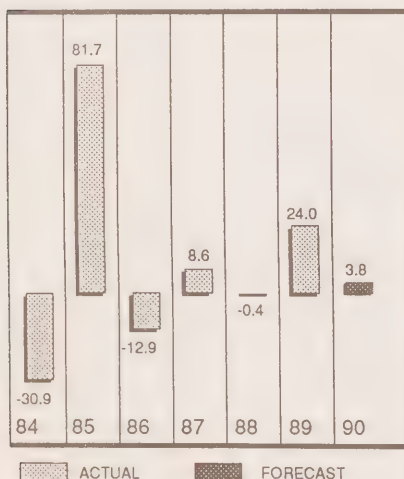


SOURCE: CMHC.

**RESIDENTIAL MLS SALES**

% CHANGE

PRINCE EDWARD ISLAND



SOURCE: CRE. FORECAST: CMHC.

With soft demand predicted for both the consumer and business sides, real economic growth is projected to decline from 1.9 percent in 1989 to 0.9 percent in 1990. Slow growth will be broadly based across most goods and services industries. Employment will decline by 0.9 percent in 1990, while the unemployment rate will rise from the annual rate of 14.1 percent in 1989 to 14.5 percent in 1990.

The most significant factor in the Island outlook is the approaching closure of CFB Summerside. The 1991 closure will result directly in the loss of approximately 1,200 military and civilian jobs. Discussions concerning replacement activities continue and, if successful, would reduce the negative impact.

Major construction projects now underway will be completed during 1990. Apart from road upgrading and school construction programs, few new construction projects are expected to start during 1990.

The fishery is not expected to match its exceptional performances of 1986 to 1988. The carry-over from 1989 of low lobster prices and accumulated frozen inventories, the high Canadian dollar, prospects of slower economies in major markets in North America, and the proposed American size regulations for fresh lobsters will limit Atlantic Canada's lobster exports to New England.

**Housing Market**

In 1990 total housing starts are forecast to decline 5 percent from 1989 to 775 units, reflecting the softness in the Island economy. Demand for new single-family homes will be unchanged during the forecast period, rising by 2 percent in 1990 to 465 units. The majority of the single-family homes built in 1990 will be in the upper price ranges targeted towards the move-up market. However, as mortgage rates decline in 1990, improved affordability will release the pent-up demand of potential first-time homebuyers towards year end.

Sales of homes through MLS will increase by 4 percent to 650 units in 1990. The average MLS selling price will rise by 6 percent to \$78,500 in 1990, up from \$74,168 in 1989.

Multiple unit starts will fall by 32 percent in 1990 to 310 units. The largest component of multiple starts will be private rental apartments. Buildings started in 1989 will be completed during the first half of 1990,



increasing supply during a period of softening demand for rental housing. As a result, the vacancy rate in Charlottetown CA is forecast to rise slightly to 4.5 percent in April 1990. Rental demand is anticipated to soften in late 1990 due to the combination of reduced employment growth and falling interest rates, which will increase homebuying by renters. Starts of private rental apartments will decline considerably during 1990, to 200 units, compared to almost 300 in 1989. Publicly assisted rental starts will remain virtually unchanged at 60 units.



## Nova Scotia

### Housing Market Review - 1989

**S**lower economic and employment growth during 1989 resulted in fewer starts in Nova Scotia. Growth originated from government and business spending, yet difficulties experienced in many industries affected growth in specific regions. Despite the declining rate of job creation, the provincial unemployment rate stood at 9.9 percent in November compared to 10 percent last year. A high level of activity during the third quarter of 1989 resulted in a stronger year than expected with total housing starts declining by 2 percent to 5,359 units. A decline of 13 percent in single starts was recorded while multiple starts increased 24 percent to 1,998 units. Multiple starts were concentrated in Metro Halifax in the form of rental apartments.

Sales of existing homes in 1989 were comparable to previous years' levels, falling only 1.6 percent to about 5,640 units. Net interprovincial migration figures remained unchanged at 1,600 and helped keep sales at a healthy level. Sales have improved in the Annapolis Valley and Metropolitan Halifax. Growth in the average provincial resale price of 5.4 percent to \$84,000 was largely in response to price increases in the Annapolis Valley, Cape Breton and the South Shore.

The rental market improved in Metropolitan Halifax with October's vacancy rate falling to 3.3 percent from the 4.4 percent recorded in April 1989. The City of Halifax recorded a lower rate than the City of Dartmouth, both of which are moving towards balanced markets.

### 1990 Outlook

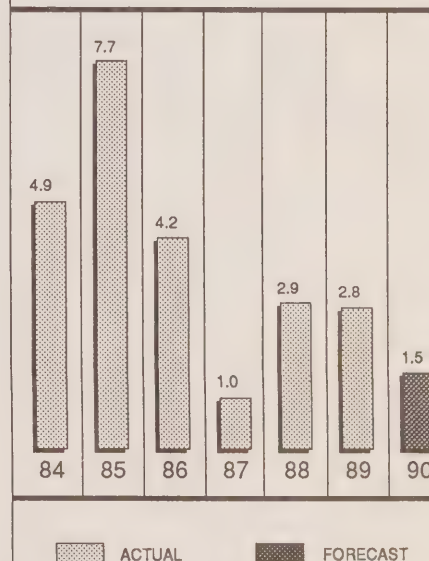
#### Economy

Economic growth will slow from 2.8 percent in 1989 to 1.5 percent in 1990, with limited additional capital investment projects. Negative growth will occur in the primary sector, particularly fishing and related manufacturing, as well as in mining and residential construction. Little change is expected in the agriculture and forestry sectors. The high-tech manufacturing, transportation, communications and utility (TCU) and non-residential sectors will perform well during 1990. The lumber and fishing export industries however, will suffer because of declining supply and demand and a relatively strong Canadian dollar.

Project investment during the forecast period will not match the level of previous years, however, a number of investment projects still under



**REAL GROSS DOMESTIC PRODUCT  
% CHANGE  
NOVA SCOTIA**



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.



construction along with several newly planned projects will help boost the weakening economy. Utility investment will be strong during the next few years with the \$335 million construction of the coal-fired generating plant in Point Aconi, Cape Breton and the \$2.5 million expansion of Trenton 6 power generating plants. Off-shore oil exploration will occur during the next few years, although the economic spinoffs will be minimal as the fields are small. The hospital expansion projects, which are concentrated in Halifax Metro, will continue with the possible construction of a new facility in Sydney.

The fishing industry will be severely affected by quota reductions and plant closures. Over 2,000 plant workers will lose their jobs during 1989 and early 1990 in the small communities in which the industry is the major employer. The outlook for both fishing fleets and plants in 1990 remains bleak. Decreased production levels are expected.

The pulp and paper sector is expected to do well in 1990, although demand for lumber and pulpwood will continue to decline. The industry has modernized during the past year, yet a high Canadian dollar, fewer housing starts in domestic and export markets, and rising inventories, will result in flat growth in 1990.

The major players in the agriculture industry, blueberry and apple growers and hog producers, face growing inventories, declining prices and mounting costs. At best, the industry's performance will be flat during 1990.

The mining industry will continue to face a difficult year. Tin production levels are uncertain as the industry faces increased competition. Changing coal markets and steel-making processes offer little hope for expanding current markets.

The steel industry also faces tighter competition in 1990. The modernization of Sysco Steel, which resulted in a cut of about 750 workers, will allow the plant to better compete in world markets.

The job creation rate in 1989 of 1.9 percent will be reduced to 1.1 percent in 1990. The primary sector will incur the largest employment losses, particularly the fishery. Employment growth is expected in the service industries. Construction employment will remain flat as non-residential activity offsets the decline in residential activity. The unemployment rate will increase to between 10.5 and 11 percent in 1990 from 9.7 percent in 1989.

Net migration patterns saw approximately 800 people leave the province in 1989. Improvements are expected in net migration patterns with approximately 300 person moving to Nova Scotia in 1990. Metro Halifax will continue to enjoy positive net migration, albeit at a slower rate, resulting in stable demand for housing during 1990.

### Housing Market

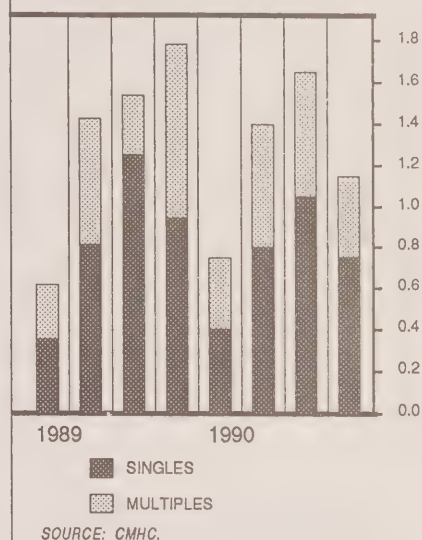
Nova Scotia's housing starts have declined for three continuous years, a trend that will continue in 1990. Nova Scotia's housing starts are forecast to decline 8 percent to 4,900 units in 1990, as a result of declining economic and employment growth. Metro Halifax will lead residential construction activity with starts increasing in 1990 as a result of net immigration patterns.

Single starts are forecast to decline 11 percent in 1990 to 3,000 due to the declining number of first-time home buyers throughout the province. Multiple starts will decline 5 percent to 1,900 units in 1990. Slow absorption of condominium and row market housing will result in an overall reduction of multiple starts. Counter to the provincial trend, Metro Halifax will record healthy levels of residential construction in 1990 due to good economic, employment and population growth.

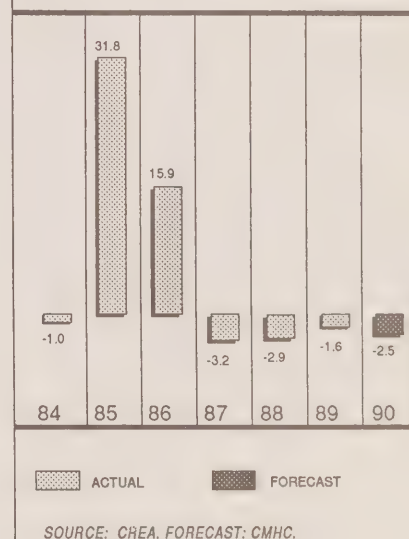
Sales through MLS will remain at healthy levels during the forecast period with a slight decline expected. During 1990, sales will fall 2.5 percent to 5,500, with Metro Halifax taking a larger share of total provincial sales than usual. Improved demand will increase active listings and put upward pressure on average prices with increases of 6.1 percent to \$89,000 in 1990.

Strong economic and employment growth and continued net gains in migration patterns have resulted in a tightening of the Metro Halifax rental market. While rental construction exceeded expectations during 1989, fewer new units are forecast for 1990. Condominiums still contribute to Metro's market as a saturated condominium market resulted in the transfer of over 600 units to the rental market. Limited potential in the condominium market will result in a moderate rate of new condominium construction in 1990. With continued economic and employment growth expected for 1990, although at a slower pace, the demand for rental accommodation will remain strong and result in vacancy rates of approximately 3 percent.

**HOUSING STARTS**  
**UNITS THOUSANDS (QTRLY)**  
**NOVA SCOTIA**



**RESIDENTIAL MLS SALES**  
**% CHANGE**  
**NOVA SCOTIA**







## New Brunswick

### Housing Market Review - 1989

**T**he pace of economic growth in New Brunswick edged down from the 4.2 percent rate posted in 1988 to 3.3 percent in 1989. Activity in the housing market during 1989 followed a similar trend and lost some of the momentum gained during 1988.

Housing starts increased slightly from a total of 3,621 in 1988 to 3,681 in 1989. Although total starts were off only marginally during 1989, the composition changed. The production of single-detached units dropped by 1.5 percent to 2,909 while the number of new multi-family units started during the year increased by 15.5 percent to 772.

Residential sales activity in the resale market, as measured by the Multiple Listing Service, was down 2.9 percent to 3,482 units. Although the number of sales posted during the year decreased from the 1988 level, the total value of residential transactions was up by 2.1 percent to \$245,891,660. The net result of these movements was an escalating average price. The average price of units sold in 1988 was \$72,101. By 1989, this figure had increased by 5.2 percent to \$75,877.

The rental market, which registered rising vacancy rates in April, tightened considerably during the second and third quarters. Although vacancy rates remained high in the northern communities of Campbellton and Edmundston, all other centres registered rates below the 4.0 percent level. The average vacancy rate for the province at year-end was 3.2 percent.

### 1990 Outlook

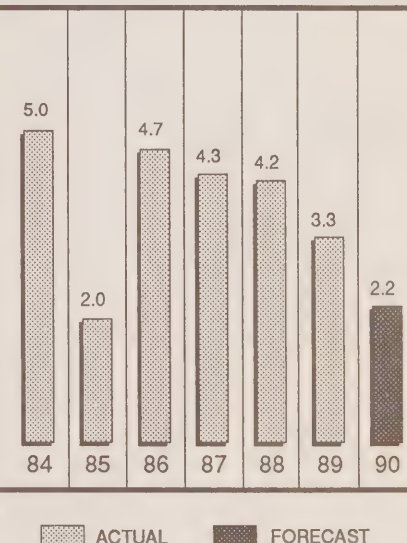
#### Economy

New Brunswick's economy has historically relied on the province's natural resources as the primary source of economic growth. In recent years, however, the manufacturing and service sectors have taken on increasingly important roles. This transition will serve to cushion the impact of the slowdown in provincial economic activity.

Buoyed by very strong growth in business and government investment, the province's 3.3 percent increase in real gross domestic product was the highest in the Atlantic Region. With a forecast decline in the investment rate and a moderation in some key sectors, economic growth during 1990 will decrease to 2.2 percent. Mining, one of New Brunswick's key primary



### REAL GROSS DOMESTIC PRODUCT % CHANGE NEW BRUNSWICK



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

industries, will be mixed over the outlook period. Zinc prices, which were very strong in 1988-89, will soften during 1990. Production levels during the year, however, are expected to rise as the zinc-lead Heath Steele and Caribou mines return to full production. Lead prices are expected to be relatively stable during the year. The price of copper, however, a by-product of these mines, is expected to fall by about 20 percent from the 1989 level. The potash industry, which has been experiencing higher prices since 1988, will continue to perform well in 1990. Fisheries, another key primary industry, has been and will continue to be plagued by depleted stocks and depressed prices. Employment, which is expected to fall in this area, will be partly shored up by increased activity levels in the aquaculture industry.

The manufacturing sector, which will be buoyed by the food processing and shipbuilding industries, will display modest growth. Growing lumber inventories will dampen production in the lumber sector of the forest industry. The pulp and paper sector, however, will continue to display some growth. The construction industry will remain strong during 1990. The carry-over of capital projects started in 1989, the initiation of the \$815 million Thermal Generating plant in Belledune and a number of other mid-sized projects will keep employment in the industry growing throughout the year.

The service sector, which accounts for upwards of 70 percent of employment in the province, will continue to display good growth. Within this sector the top performers will be trade and the community, business, and personal service industries.

Retail trade, is expected to decrease during 1990. Growth of 6 percent in 1989 is expected to decline to 5 percent in 1990. The key contributing factor to this movement is the expected reduction in automotive sales.

Overall employment growth for the province will remain constant at approximately 1.8 percent over the outlook period. Moderating growth in the labour force, in combination with a stable participation rate, will result in little change in the 1989 unemployment rate of 12.0 percent.

Net migration patterns, which have not favoured growth in New Brunswick over the past five years, changed considerably during 1989. Annual outmigration, which ranged up to a net migration loss of 3,500 over the past five year period, is expected to swing to a positive 2,000 in 1989.

Net migration is expected to continue in 1990 but at a lesser rate of about 1,000.

### Housing Market

Housing markets in New Brunswick over the outlook period will continue to post modest decreases in activity levels. Expected reduced rates of economic growth and reduced net interprovincial migration will be the main factors guiding this trend. Total housing starts for 1989, which stood at 3,681, will drop 8.3 percent to 3,400 in 1990. The production of single-detached units is expected to move down from the 2,909 level experienced in 1989 to 2,600 in 1990. The construction of multi-family units, which moved up 15.5 percent to 772 in 1989, is forecast to continue this upward trend and reach the near-record level of 800 starts in 1990.

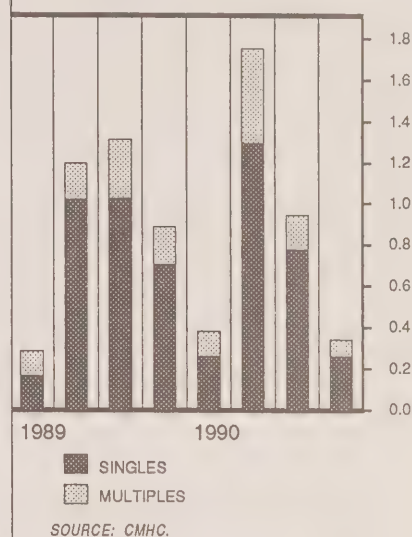
Although falling vacancy rates are a major contributing factor behind the sustained high level of production of multi-family units, the emergence of a viable condominium market is the source of the expected growth. The condominium option is now being more readily accepted throughout the province, and as a result, will form an increasing proportion of multiple starts in the years ahead.

Vacancy rates in the Saint John CMA are expected to remain in the 3 to 4 percent bracket during 1990. Limited economic growth and low levels of multi-family unit production are the key considerations in this forecast.

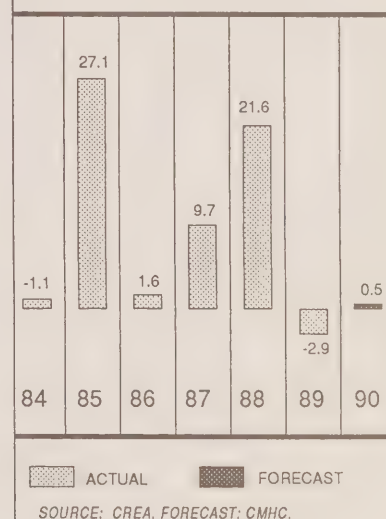
The resale market, much like the new construction market, will lose some strength over the outlook period. Total sales, which reached 3,482 in 1989, will remain much the same in 1990. The average price of units sold in 1989 was \$75,877. This will move upwards by 6.1 percent in 1990.

The supply of units on the market at year-end was up 1.3 percent to 2,272 units. This upward trend in supply will likely be sustained as potential move-up buyers continue to enter the market. During 1990, the Fredericton and Bathurst markets will remain growth centres while sales levels in the other major centres are expected to remain much the same as those posted in 1989.

**HOUSING STARTS  
UNITS THOUSANDS (QTRLY)  
NEW BRUNSWICK**



**RESIDENTIAL MLS SALES  
% CHANGE  
NEW BRUNSWICK**







## Quebec

### Housing Market Review - 1989

In spite of a downward trend, the Quebec housing market performed remarkably well in 1989, primarily due to the arrival of a record number of new migrants and sustained optimism by investors in the real estate sector.

Residential construction dropped by 16 percent from 58,062 in 1988 to 49,000 in 1989. Housing starts in 1989 nevertheless exceeded the average for the decade of 45,000 units. This level of activity was remarkable when one considers the extremely high number of unoccupied units and slower than expected economic growth. In fact, the inventory of new unoccupied units reached a record level of close to 10,000 units in 1989, whereas the net creation of new jobs amounted to only 33,000, well below the 84,000 created in 1988. The net gain of 22,500 new migrants, an unprecedented record in Quebec, ultimately sustained demand and resulted in strong residential construction levels in the province.

The decline was less severe in the single-family sector with more than 24,200 housing starts, down only 12 percent compared to 1988. Houses in the upper price ranges were slow to be absorbed as a result of the high level of interest rates and the low growth in household income. Nearly 45 percent of the units vacant in the Fall that were priced over \$120,000, had been completed since the Spring of 1989.

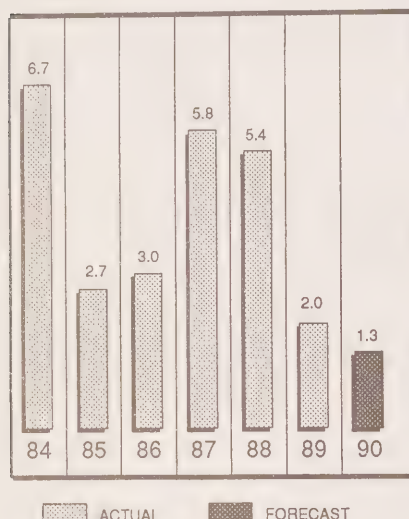
The sustained trend towards homeownership continued to support the resale market. There were 30,574 MLS sales in 1989, a slightly higher level than that of the preceding year. However, the large increase in the number of houses for sale limited the increase in the average price of transactions to 5.5 percent.

There was a decrease of 19 percent in multi-family construction, largely because of high vacancy rates and low rent increases. In spite of this decrease, the 24,600 multiple starts in 1989 exceeded, by far, the effective demand. Many of these multi-family units were retirement homes. As a result, vacancy rates in the rental market, which already were among the highest in the country, have climbed to record heights again.

The sector most affected by the decrease in residential construction is undoubtedly the condominium sector. Condominium starts plummeted 46 percent to 4,900 units. As in the case of new houses, high priced condominiums are more difficult to absorb. Nearly 2,600 new condominium units still remained vacant at the end of the year.

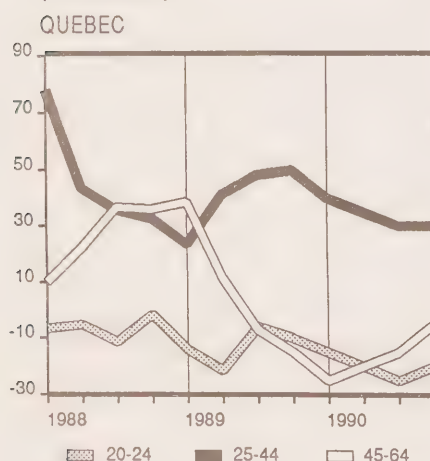


# REAL GROSS DOMESTIC PRODUCT % CHANGE QUEBEC



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

# JOB CREATION BY AGE GROUP (thousands) QUEBEC



SOURCE: STATISTICS CANADA. FORECAST: CMHC.

## 1990 Outlook

### Economy

The decline in the province's economic growth in 1989 will continue in 1990. The Quebec GDP growth rate will fall to 1.3 percent in 1990.

The weak points in the Quebec economy in 1990 will be consumer expenditure and export related sectors. The small increase in household disposable income, combined with a slow labour market, will reduce consumer expenditures. Furthermore, a number of layoffs in various manufacturing sectors have been announced for the beginning of 1990, in anticipation of the slowdown in the U.S. economy. Over 30 percent of the Quebec GDP is exported to the United States.

The non-residential construction and primary metals sectors are the only sectors expected to be strong during 1990. Work under way on the James Bay Phase II project will probably be accelerated in 1990 to meet the increased domestic demand and export commitments. Construction work on several aluminum smelters (Alumax in Deschambault, Alcan in Laterrière, ABI in Bécancour and Alouette in Sept-Îles) and magnesium factories (Norsk Hydro in Bécancour) will maintain investments in the primary metals sector. Moreover, starts of a number of office buildings in Montreal in 1989 will sustain commercial construction for the next two years.

Job creation, which totalled 33,000 in 1989 will be reduced to 10,000 in 1990. The greatest losses in employment are expected among young people less than 25 years of age, who make up a large proportion of the labour force in the retail/commerce sector and who also make up a large pool of clients for rental housing. The weak rate of job creation among the 45 to 64 age group should also limit the demand for expensive houses and condominiums. On the other hand, the creation of jobs for the 25 to 44 age group, although more modest, will continue to sustain the demand for homeownership from first-time buyers. This demand will be supported by lower interest rates and by the Provincial Homeownership Program.

International migration will remain a major source of demand for housing in the province during 1990. A record net gain of 31,000 new immigrants is forecast for 1990. Furthermore, the net loss in interprovincial migration will also be reduced, bringing the total net migration to 26,500 for 1990.



## Housing Market

The housing market in 1990 will be characterized by weak domestic demand, offset somewhat by strong immigration. The high vacancy rates and prudence by investors will reduce the number of housing starts to 41,700, a 15 percent decline from 1989.

The construction of single-family houses in 1990 will be down by 9 percent to 22,300 units. The decline would be more severe without the projected decline in interest rates and the increase in migration. The introduction of the GST in 1991 will bring additional impetus to single-family demand in 1990.

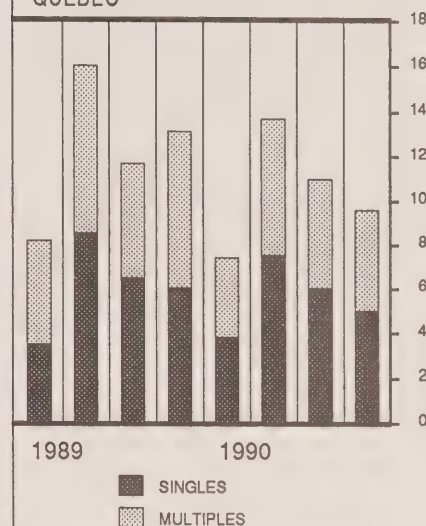
The weakness of the employment market for the 45 to 64 year old age group will limit potential demand in the luxury house market. Houses intended for first-time buyers will remain popular in 1990. As a result, the average increase in the new House Price Index will be limited to between 3 and 4 percent.

The resale market will experience a slight recovery in 1990 as interest rates decline. An increase of 0.7 percent in MLS sales is forecast in 1990 to attain a volume of 30,800 units. New listings will also be reduced, as a result of the poor performance of sales in 1989 and will produce a more balanced market. The average increase in prices will be between 5 and 7 percent in 1990.

The rental market will remain depressed in 1990, with relatively high vacancy rates. Low employment rates for those under 25 years of age will limit the demand for new rental housing. This weakness in domestic demand however, will be compensated in part, by the major international immigration movement. Housing starts for rental units will decrease by 25 percent to 13,100 in 1990. The average vacancy for rental properties, which reached 5 percent in the Fall of 1989, will decrease below 4 percent in the Fall of 1990.

Slow sales and the high inventory level will further reduce the construction of condominium units in 1990. The number of condominium starts will decrease by another 29 percent to settle at 3,500 units. Luxury units in highrise complexes will continue to have a slow absorption rate.

HOUSING STARTS  
UNITS THOUSANDS (QTRLY)  
QUEBEC



SOURCE: CMHC.



# Ontario

## Housing Market Review - 1989

**T**he housing market in Ontario remained buoyant in 1989 for the fourth year in a row. It was sustained by continued economic growth throughout the province and rising inflows of international migrants, particularly to the Toronto Census Metropolitan Area (CMA).

Although total housing starts declined by 6.6 percent from the 99,924 units recorded in 1988, the 93,337 units started were only slightly higher than the 91,000 units forecast by CMHC at the beginning of the year. The decline in starts for multiple units at 7 percent was only slightly greater than for single-detached units at 6 percent. The decline in multiple units was mainly confined to rental apartments in centers across Ontario. The decline in single-detached units was more varied by location. Single-detached units increased in Sudbury, southwestern Ontario, and smaller urban centers across the province as builders sought to provide more affordable housing outside the major urban centers.

Condominiums continued to show more strength than expected, partly due to previous sales which carried over into the construction period, and partly due to the appearance of more modestly priced units. Again, over 70 percent of all condominiums were started in the Toronto CMA. The previously reported shortages of labour and materials abated in 1989 while land in some centers remained in short supply.

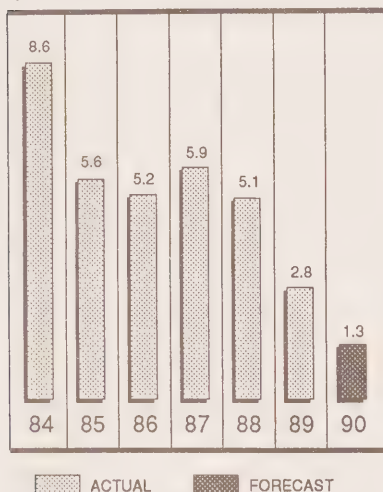
Sales of existing MLS units declined by 11.1 percent to 142,639 from the 160,502 record high in 1988. Volume declines occurred primarily in Toronto and Oshawa at minus 21.1 and minus 16.3 percent respectively, as demand weakened in response to higher prices. The average price of MLS units rose 14.6 percent to a record high of \$184,810 as a result of the continuing strong move-up buyer market. The 21.1 percent decline in the volume of sales in Toronto, where prices were very high, pulled down the provincial average price. Oshawa led price increases at over 22.8 percent, followed by Sudbury at 21.6 percent, Hamilton at 21.0 percent and Toronto at 19.2 percent. The average increase outside of the major urban centers was 16.9 percent. Most of the increase in resale home prices occurred in the first half of the year with price increases moderating in the last half of 1989.

Vacancy rates in most CMAs remained low, with October 1989 rates remaining close to those of a year earlier. Limited new private rental supply was added due to better returns in the condominium market and negative cash flows in standard rental production. Vacancy rates increased modestly





# REAL GROSS DOMESTIC PRODUCT % CHANGE ONTARIO



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

from April to October in Hamilton, Kitchener, Oshawa and Toronto. Only London remained above 2 percent at 2.9 percent down from 3.6 percent in April. The Ontario vacancy rate for all centers surveyed remained at 0.8 percent throughout the year.

## 1990 Outlook

### Economy

The Ontario economy is in its seventh year of economic expansion with the pace of economic activity forecast to moderate for the second year in a row. Real GDP in 1990 is forecast to increase by 1.3 percent following an estimated 2.8 percent last year. The continued slowdown largely reflects the deceleration of consumer spending and business investment at the end of this economic cycle.

Business investment in Ontario which has sustained the latter part of this economic cycle is forecast to decline. Only expenditure increases in manufacturing and utilities are forecast in 1990. Exports, which were sluggish in 1989, are expected to rebound this year as the dollar weakens. Domestic auto production has declined due mainly to fewer exports of passenger cars to the U.S. however, sales of foreign cars produced in Canada are expected to continue to grow.

Consumer spending is expected to be lower in 1990 despite increases in personal disposable income as Canadians borrow less and save more. High house prices and high mortgage interest rates have left purchasers with little discretionary income. Retail sales growth will be flat or negative. The consumer price index estimated at 5.9 percent in 1989 is forecast to drop to 5.0 percent in 1990.

Due to continued strong migration to Ontario from international sources, the labour force will grow at 1.5 percent in 1990 following 1.9 percent growth in 1989. Employment growth will decline to 0.9 percent this year from 1.8 percent last year. As a result unemployment will rise to 5.6 percent in 1990 from 5.1 percent in 1989.

Total net international immigration to Ontario, which has been increasing since 1985, is forecast to increase to 92,000 persons in 1990 compared to 79,000 persons last year.

Net interprovincial migration peaked in 1986 at 42,916 persons and has steadily declined since that time. Beginning in the second quarter of 1989 interprovincial migration actually became negative and by year-end 6,500 more persons were expected to leave Ontario for other provinces than to come to Ontario from other provinces. Negative net interprovincial migration is expected to continue to grow to 16,000 in 1990 due to the growing strength of the Alberta and B.C. economies and the slowdown of immigration from Quebec. Total net migration is expected to increase to 76,000 persons in 1990 from 72,500 in 1989.

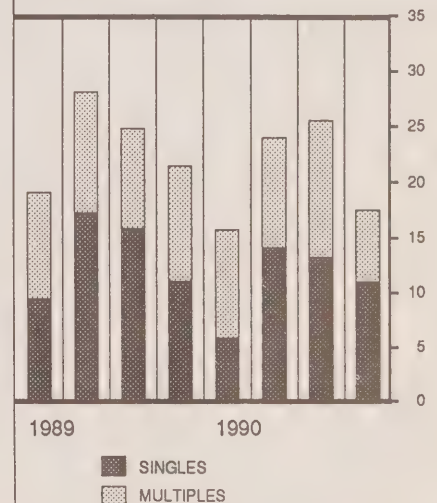
### **Housing Market**

Housing starts will decline by 11.4 percent to 82,700 in 1990 from 93,337 in 1989. 1990 represents the fifth strong year of housing construction with starts exceeding the projected annual requirement of 79,000 for the period. The modest decline in new house construction is mainly confined to single detached units and condominium apartments. Single detached starts are forecast to decline by 17.6 percent and condominium apartments 61.8 percent. While Toronto will construct more than 55 percent of all condominium units in the province, the 5,127 unit decline in condominium starts in Toronto accounts for most of the province's 6,494 unit reduction in condominium starts. These declines will be offset by a 44.0 percent increase in the construction of rental units resulting from the provincial social housing program, initiated two years ago.

The GST is expected to have a minimal effect on the overall level of starts activity, but it will likely move the construction cycle for more expensive product forward in 1990. A strong showing is expected in the first half of the year in construction of higher priced homeownership condominium and single-detached units in order for purchasers to meet the GST program occupancy date of March 1, 1991.

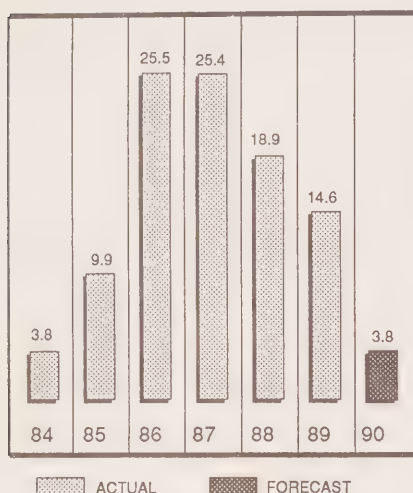
A slowing economy and high house prices are expected to have a continuing moderating effect on resale activity. MLS sales volumes will continue to decline in 1990 by 11.5 percent, about the same rate as last year. The decline in sales volumes will be greatest in Thunder Bay at 13.1 percent followed by Windsor at 11.6 percent and Oshawa at 11.4 percent. Only Ottawa at 6.4 percent and Sudbury at 2.0 percent will show an increase in volume of sales.

**HOUSING STARTS  
UNITS THOUSANDS (QTRLY)  
ONTARIO**



SOURCE: CMHC.

# RESIDENTIAL MLS AVG. PRICE % CHANGE ONTARIO



SOURCE: CREA. FORECAST: CMHC.

MLS resale house prices are forecast to increase only 3.8 percent this year in Ontario, a much lower rate of increase than the 14.6 percent experienced in 1989. The decline is due to a slowdown in sales of higher priced units. The highest price increase is forecast for Kitchener at 12 percent followed by Sudbury at 11 percent. Centers outside of the major urban areas are also expected to have increases above the average at 7.4 percent.

Condominiums have continued to show stronger price increases than the rest of the market as this form of tenure becomes more attractive to first-time buyers and the retirement market. This tenure form has gained a high level of acceptance over the past twenty years.

The new house price index which measures the increase in the cost of purchasing a new standard house will increase less rapidly than in 1989. Centers with increases in excess of 10 percent will be Toronto, Kitchener and St. Catharines.

Vacancy rates are projected to ease during 1990 due to increased net interprovincial outmigration and fewer younger renter households headed by persons less than 35 years of age. The vacancy rate for Ontario is projected to increase to 0.8 percent in April and 0.9 percent in October mainly due to the higher rates forecast for London, Toronto and Windsor. Only London is forecast to be above 2 percent.



## Manitoba

### Housing Market Review - 1989

**W**eak demand was the most important factor in Manitoba housing markets in 1989. Key causes of the weak demand were the slow recovery from the 1988 drought, high mortgage rates, reduced levels of consumer confidence and continued high net outmigration.

Construction activity in Manitoba over the past few years gives a clear indication of the weakness of demand for housing. Total housing starts fell from 8,174 units in 1987 to 5,455 in 1988 and 4,084 in 1989. In 1989, single starts dropped by 18 percent to 2,966 units. Because of oversupplied rental markets, all other types of starts (semi-detached, row and apartment units) were even harder hit, falling by 40 percent to 1,118 units.

The communities of Portage la Prairie and Selkirk experienced the largest declines, with residential construction down by over 50 percent in both centres. Housing markets in Portage la Prairie have weakened considerably since news of the closure of the Portage la Prairie Canadian Forces Base scheduled for 1992. In contrast, strong metal markets helped increase single starts in Thompson by 40 percent in 1989.

The dramatic decline in construction activity created substantial competition among builders and kept new house prices stable. The New House Price Index in Winnipeg showed almost no change throughout 1989.

Resale markets also suffered from weak demand. In 1989, the number of sales through the province's four MLS boards dropped by 6.8 percent to 10,375. The average MLS resale price increased only modestly to \$82,401, a gain of 2.5 percent.

Soft demand in rental markets pushed vacancy rates in many Manitoba communities up. The Winnipeg rate in privately initiated structures of 6 units or more rose from 4.3 percent in October 1988 to 6.5 percent in October 1989. Aggravating the effect of weak demand was the completion of a large number of new rental units during the summer months.

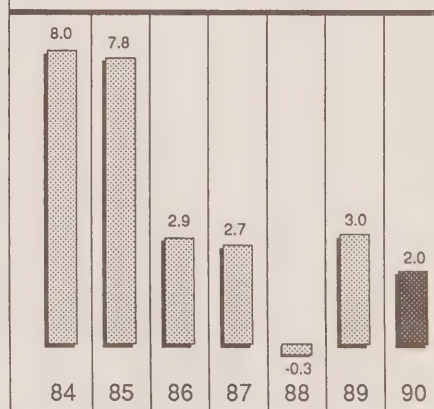
### 1990 Outlook

#### Economy

Real economic growth, which is the rate of growth of the total output of all final goods and services adjusted for inflation, will slow in Manitoba in



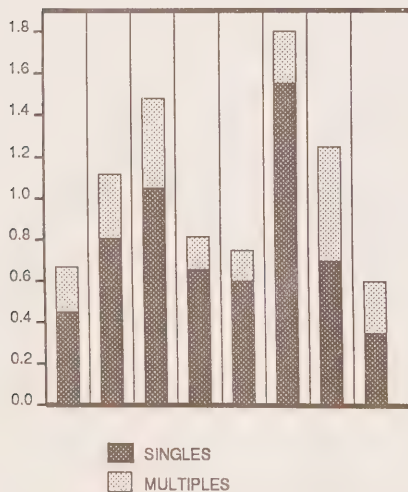
**REAL GROSS DOMESTIC PRODUCT  
% CHANGE  
MANITOBA**



ACTUAL FORECAST

SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

**HOUSING STARTS**  
**UNITS THOUSANDS (QTRLY)**  
**MANITOBA**



SOURCE: CMHC.

1990. Economic growth is forecast to be 2 percent in 1990, below the estimated 3 percent in 1989. The major cause of growth in 1989 was a substantial recovery in grains production from the severe drought of 1988.

Employment will grow by about 5,000 jobs in 1990. This represents a gain of 1.0 percent similar to the 0.8 percent employment growth in 1989. Even with slower economic and employment growth in Manitoba, total net outmigration will decline from 5,400 in 1989 to 5,000 in 1990. A major factor accounting for the decline in outmigration is the anticipated slowdown in the central Canadian economy.

Although agricultural output is forecast to continue to recover in 1990, net farm income will fall. This is because of the expected curtailment of federal government transfer payments to agriculture. The decline in incomes will have a substantial effect on consumer spending in Manitoba, particularly in rural areas.

Other primary industries will also experience difficulties in 1990. Pulp prices will decline slightly, pushing the value of output of the forestry industry down, even though the volume of production will increase. The value of output in the Manitoba mining industry will also fall because of substantially weaker base metal prices. For example, the price of nickel, which is a key commodity in Manitoba, is forecast to fall by more than 50 percent in 1990.

Stable growth in manufacturing and utilities will help compensate for the poor primary industry outlook. Also contributing to growth are a number of sizeable investment projects. Construction of the Limestone hydro project will begin to wind down in 1990 but will still be a contributor to economic growth. Non-residential construction in the City of Winnipeg picked up in 1989 and these projects will continue during 1990. One of the most significant is the expansion of the Boeing Canada aircraft parts plant. Another investment project that could have a substantial impact on provincial economic growth is the refurbishment of the MANFOR pulp mill in The Pas, which is currently undergoing environmental assessment.

### ***Housing Markets***

Modest improvement in the demand for housing is expected in 1990. Stable economic growth will be the most important demand factor but lower mortgage rates and an effort by some purchasers to buy new houses before

the implementation of the Goods and Services Tax in 1991 will also contribute to the strengthening of demand in 1990. Although demand will improve, Manitoba housing markets will still remain slow.

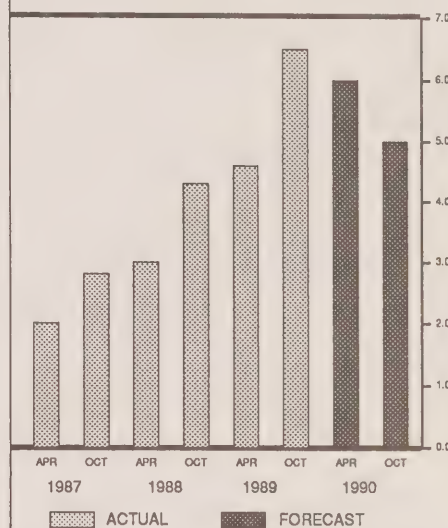
Total provincial housing starts in 1990 will grow to 4,400 units, an increase of 8 percent from 1989 but still well below the level achieved in the middle of the decade. The increase will result from stronger demand and no apparent supply difficulties. Both single-detached starts, with a gain of almost 8 percent to 3,200 units, and all other types of starts, with a gain of 7.3 percent to 1,200 units, will benefit from the improvement in demand.

Competition among builders will continue to keep new house prices stable. The New House Price Index in Winnipeg will increase by only 1.0 percent in 1990.

The number of MLS sales in Manitoba will increase by 9 percent over 1989 to 11,300 but resale prices will show only modest increases. The average MLS price in Manitoba will rise by just over 4 percent to \$86,000. Under still largely buyer's market conditions in Winnipeg, MLS sales will increase by 11 percent to 10,300. The average resale price will be \$87,500, a gain of only 3.8 percent.

Vacancy rates will drift downward in most provincial rental markets as the modest improvement in demand outweighs any increase in supply. In Winnipeg, for example, very little rental construction has been undertaken in recent months and this will allow the vacancy rate to decline. The rate in privately initiated structures of six units or more will fall from 6.5 percent last October to 6.0 percent in April and 5.0 percent in October 1990.

WINNIPEG VACANCY RATE  
(in apartment structures 6 units and over)  
Percent



SOURCE: CMHC.





## SASKATCHEWAN

### Housing Market Review - 1989

In 1989, the Saskatchewan construction industry suffered the worst year since 1970. Total housing starts were 1,906 units, a decline of 50 percent from the previous year and the second fewest since CMHC began recording housing starts after the Second World War.

Single starts fell from 2,246 units in 1988 to only 1,383 units in 1989. All other types of starts (semi-detached, row and apartment units) declined by 68 percent from 1,610 to 523 units. As a result, 1989 was a very difficult year for builders in Saskatchewan and the industry underwent substantial restructuring.

The main causes of the sharp drop in construction activity were oversupplied markets and weak demand. Factors weakening demand included declines in employment, high net outmigration and low consumer confidence. One factor that stabilized demand however was the provincial government's Mortgage Protection Plan, which caps rates at 9.75 percent on the first \$50,000 of a principal residence mortgage. The program, in combination with relatively low house prices in the province, has sustained affordability despite high mortgage rates.

Weak demand also caused MLS sales to decline for the third straight year. The number of sales dropped by 6.2 percent to 6,850. The average MLS price in the province rose by only 3 percent to \$70,417.

In most of the provincial rental markets surveyed by CMHC, vacancy rates peaked in April and had begun to decline by October. The decline occurred because there was almost no new rental construction. In Saskatoon, the vacancy rate in privately initiated structures of six units or more rose to 10.2 percent in April but fell to 8.8 percent in October. In Regina, the rate peaked at 8.1 in April and declined to 6.5 by the autumn.

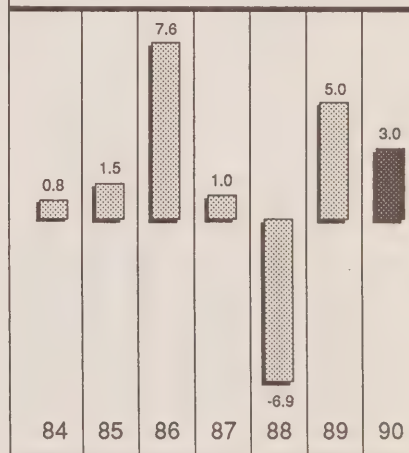
### 1990 Outlook

#### Economy

The weakness of the Saskatchewan economy was apparent throughout 1989 but was not reflected in the most commonly used economic indicator, real Gross Domestic Product. Real Gross Domestic Product grew by 5.0 percent in 1989 and is forecast to grow by 3.0 percent in 1990. The major factor behind the substantial increases in real GDP was the recovery of agricultural production after the severe 1988 drought. A change in the



### REAL GROSS DOMESTIC PRODUCT % CHANGE SASKATCHEWAN



ACTUAL
 FORECAST  
 SOURCE: CONFERENCE BOARD.  
 CMHC: 1989 ESTIMATE, 1990 FORECAST.

accounting methodology Statistics Canada uses for agricultural output was also a factor. In part because of high farm debt and efforts to rebuild grain inventories, the recovery of agricultural production did not spur consumer spending as much as was expected, preventing full recovery of the service sector.

A better measure of the state of the Saskatchewan economy is employment, which fell by 1.1 percent or 5,000 jobs in 1989. In 1990, the number employed will climb by 1 percent or 5,000, returning to the level achieved before the 1988 recession.

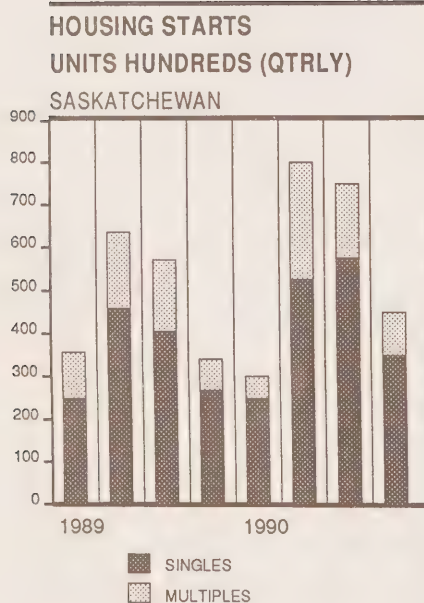
Although agricultural production is forecast to continue its recovery in 1990, net farm income will fall because of a sharp curtailment of government transfer payments to farmers. The decline in farm income and ongoing rationalization of the agricultural sector will be most severely felt in rural areas. One result will be net outmigration from the province of 10,900 in 1990. Although this is well below the estimated 15,100 net outmigration in 1989, it is still substantial for a province of approximately one million population.

Some Saskatchewan industries will perform well in 1990. As in Alberta, strong markets will benefit from the Saskatchewan natural gas industry. Gold exploration in the La Ronge area is promoting economic growth. Commercial construction in Saskatoon and Regina and several major investment projects are having an effect. Construction will continue on the Shand power facility. The construction of the Bi-Provincial Upgrader in the border town of Lloydminster, which is expected to begin in the spring, will also benefit Saskatchewan, although a large share of the spin-off effects will flow to Alberta. Two projects currently facing delays, a fertilizer plant in Belle Plain and a pulp mill in Meadow Lake, could also proceed in 1990.

### Housing Markets

Although some economic gains are expected for Saskatchewan in 1990, few of the underlying forces in the housing market will change. Most important is continued outmigration. As a result, the moderate increase in demand will bring only a slight pick-up in housing market activity.

There will be more housing starts in 1990 than in 1989 but still relatively few compared to past years. Total starts will be 2,300, an increase of about 20 percent from last year. Most of the gain will be in single-detached starts



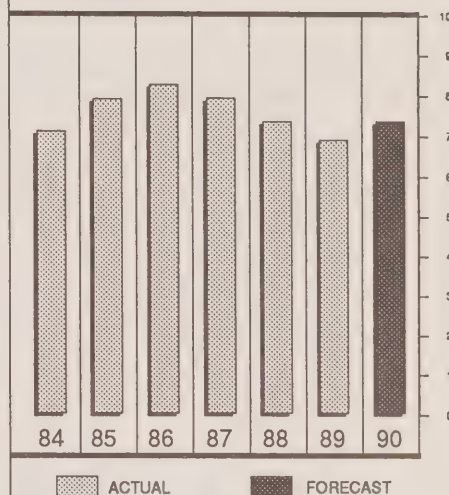


which will rise to 1,700 from 1,383 in 1989. Oversupplied rental and condominium markets will continue to dampen multiple-unit starts which will increase by less than 100 units to 600. New house price increases will also be moderate in 1990. The New House Price Index in Regina will rise by 2.0 percent while in Saskatoon it will increase by 3.0 percent.

Resale activity will also show modest improvement, with the number of MLS sales in the province increasing by about 3.6 percent to 7,100. The average MLS price will rise by only 2.2 percent to \$72,000. Buyer's markets will continue in both Regina and Saskatoon. The average MLS price in Regina will increase by 3.0 percent to \$74,600. Price growth will be slower in Saskatoon with the average price rising by 1.0 percent to \$77,200.

Modest demand growth will allow rental vacancy rates in most urban Saskatchewan centres to drift down slightly in 1990. In Regina, the rate in privately initiated structures of six units or more will fall from 6.5 percent in October 1989 to 6.0 percent in October 1990. In Saskatoon, the rate will fall from 8.9 percent to 8.0 percent. The rates will, however, remain well above the 3.0 percent level generally accepted to be healthy, permitting both tenant choice in accommodation and the viability of rental market construction. The high rates will prevent rental construction and result in stable or declining rents.

**RESIDENTIAL MLS SALES  
SASKATCHEWAN**  
(thousands)



SOURCE: CREA. FORECAST: CMHC.



## ALBERTA

### Housing Market Review - 1989

**H**ousing demand in Alberta strengthened throughout 1989, pushing residential construction activity well ahead of 1988 levels. Factors promoting housing demand included an expanding and increasingly diversified economy, healthy employment growth, more investor activity and high net immigration of 8,000 persons. Employment grew by more than 25,000 jobs in 1989, with gains in construction, manufacturing and the service sector outweighing losses in agriculture and other primary industries.

With stronger employment and population growth, housing starts climbed by 30 percent from 11,360 units in 1988 to 14,712 in 1989. Single starts increased from 9,671 to 12,345. Most notable, however, was the continued improvement in starts of all other types (semi-detached, row and apartment units), which were sharply curtailed after the severe recession of 1982. Multiples starts increased by 40 percent to 2,367 units.

Strong housing demand was evident in several other housing market indicators in 1989. The New House Price Index increased by more than 7.0 percent in both Calgary and Edmonton. In 1989, 36,230 MLS residential sales were transacted in Alberta, an increase of about 19.3 percent. In both Calgary and Edmonton, MLS sales increased by more than 20 percent. The average MLS price in Alberta reached \$98,180 in 1989, up 9.6 percent from 1988. The strongest price growth occurred in Calgary where the average price increased by over 12 percent to \$111,400.

One of the most telling signs of the strength of Alberta housing markets is the decline in rental vacancy rates. In CMHC's October 1989 rental market survey, the Edmonton vacancy rate in privately initiated structures of six units or more was 2.4 percent, down from 4.4 percent the previous year. The Calgary rate was 1.2 percent, down from 2.3 percent. Both rates are now below the 3 percent level which is generally accepted to be a healthy rate, permitting both tenant choice in accommodation and the viability of new rental construction. Recent surveys have shown that vacancy rates are falling in most Alberta centres.

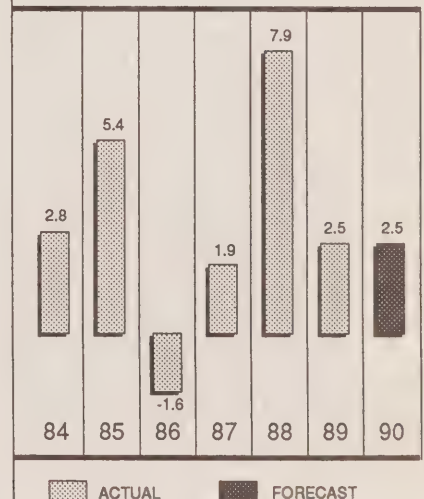
### 1990 Outlook

#### Economy

The Alberta economy will perform well in 1990, growing faster than the national average. Real provincial Gross Domestic Product, will grow by 2.5



### REAL GROSS DOMESTIC PRODUCT % CHANGE ALBERTA



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.



percent in 1990, similar to growth in 1989. Strong job creation is also forecast, with employment growing by 27,000 jobs to 1,241,000. The solid performance of the Alberta economy will also mean higher net immigration of 12,000 in 1990, up from 8,000 in 1989.

The energy sector is still critical to the Alberta economy, although less important than it was a decade ago. The price of West Texas Intermediate, the benchmark oil price, is forecast to remain at about \$20 (U.S.) per barrel during 1990. This will promote stability for the oil sector and, perhaps, encourage a small increase in drilling activity.

The natural gas industry is, however, more important to the economic outlook, largely because deregulation of the industry in both Canada and the United States has increased the market for Alberta gas. Concern about the environment is also helping the natural gas industry because of the clean burning nature of the fuel. Substantial price increases are expected in 1990. One difficulty, however, is that Alberta exports are currently near pipeline capacity and more construction is necessary before any significant further increase in exports is possible. A number of pipeline projects are planned or underway and these will result in economic growth in Alberta, especially the Calgary area.

Another energy investment project that will be important to the Alberta economy over the next several years is the Bi-Provincial Heavy Oil Upgrader in Lloydminster, on the Saskatchewan/Alberta border. This project has been plagued by industry skepticism and construction delays for several years but major construction activity is expected to begin in 1990. Although the facility will be located in Saskatchewan, its construction will bring jobs and spin-off effects to Alberta as well. Engineering, construction, manufacturing, warehousing and transportation facilities in Alberta will benefit. Edmonton will receive the greatest benefit since it has traditionally been the service centre for the Lloydminster area.

Several forestry investment projects will also be important to the northern Alberta economy in 1990. Construction of some of the proposed pulp mills has been delayed pending assessment of their environmental impact, but employment at projects that are currently underway in Whitecourt, Slave Lake, Peace River and Hinton will remain steady or increase during the year. Several sawmill investment projects will also contribute to growth in 1990.

Primary industries continue to be a significant component of the Alberta economy but manufacturing and services have taken on a much more important role in recent years. Firms specializing in technology and research, engineering, food processing, clothing manufacture, tourism and financial services have all become significant employers.

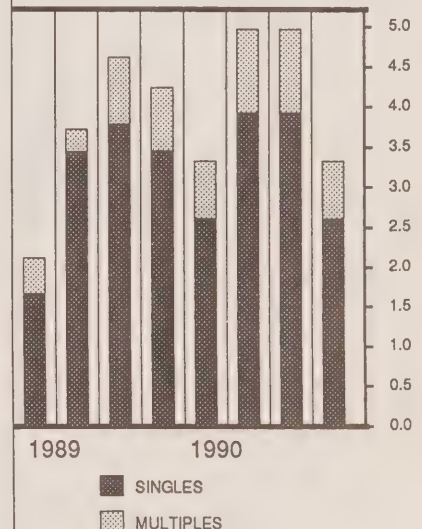
Another sign of the diversification of Alberta's economy is the location of a number of new employers in the province, bringing new residents and stimulating housing demand. One example is the relocation of TransCanada Pipelines 700 head office jobs from Toronto to Calgary in 1990. The newly formed Hughes Aircraft of Canada Ltd., which has been awarded a long-term contract to revamp the national air control system, has chosen Calgary as its headquarters. In fact, Fortune magazine ranked Calgary as the third most popular location for the head offices of Canada's top 500 companies.

### Housing Markets

The most important factor in Alberta housing markets in 1990 will again be strong demand. In addition to the effects of the economy through employment growth and high net immigration, demand will be strengthened by several other factors. These include increasing investment activity, particularly from Asian investors, and an effort by some buyers to purchase new homes before the proposed Goods and Services Tax is implemented in 1991. Two provincial government programs are also having an effect. The Alberta Mortgage Interest Shielding Program places a 12 percent cap on the first \$75,000 of a principal residence mortgage. The Alberta Family First Home Program provides an interest-free loan of \$4,000 to first-time home buyers.

A new force in Alberta housing markets in 1990 will be the emergence of supply constraints. A major constraint on new construction will be the availability of serviced land for residential development. In Calgary, for example, lot development lagged behind demand in the last part of 1989 but this problem should abate in the first half of 1990. In Edmonton, the shortage of lots will persist and as a result construction will grow more slowly than demand in 1990. With an upswing in both residential and

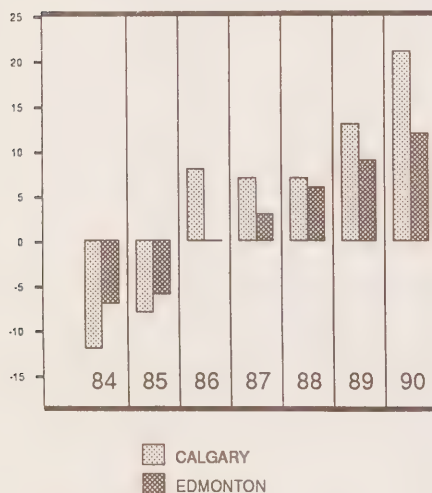
**HOUSING STARTS**  
**UNITS THOUSANDS (QTRLY)**  
**ALBERTA**



SOURCE: CMHC.

# RESIDENTIAL MLS PRICE % CHANGE

Calgary and Edmonton



SOURCE: CREA. FORECAST: CMHC.

non-residential construction, a skilled labour shortage is also placing constraints on residential construction throughout Alberta. The average construction period will increase in all major centres in 1990.

Despite the supply constraints, total housing starts will be 16,600 units in 1990, an increase of 13 percent from 1989. Single-detached starts will increase by 6 percent to approximately 13,000 units. Multiple starts will show the biggest gain, growing by almost 50 percent to 3,500 units. Multiple-unit construction will continue to be largely directed toward the condominium market but lower vacancy rates and higher rents will also permit some recovery of rental construction.

Strong demand growth in combination with supply constraints will contribute to substantial increases in new house prices. The New House Price Index is expected to increase by 9 percent in Edmonton and by 15 percent in Calgary.

Resale activity throughout the province will also grow in 1990. The number of MLS sales in the province will reach 37,000, a 2.1 percent increase from 1989. Edmonton and Calgary will each have about 4 percent more MLS sales in 1990, with 11,300 and 19,200 respectively. Tight supply in the new market will also generate price increases in the resale market. The average MLS price for the province in 1990 will be \$110,000, 12.1 percent higher than 1989. The average price in Edmonton will increase by about 15 percent to \$102,000. In Calgary, investor activity, substantial net immigration and solid employment growth will push up the average MLS price by about 20 percent to \$135,000. In 1990, the growth in demand will outpace supply; resale markets in both Edmonton and Calgary, which exhibited balance between demand and supply through much of 1989, will be seller's markets.

Although multiple-unit construction is well ahead of recent years, a relatively small share of the new units are intended for the rental market. Faster growing demand than supply will push rental vacancy rates down in most Alberta communities. The vacancy rate in Edmonton will fall from 2.1 percent in October 1989 to 1.0 percent in October 1990. Over the same period, the Calgary vacancy rate will fall from 1.2 percent to 0.5 percent. As the rental market tightens, rents will continue to rise.



# British Columbia

### Housing Market Review - 1989

**T**he housing market was very active during 1989 with starts, sales, and prices exhibiting large increases. Rental market conditions remained tight and rent increases accelerated. Housing demand increased substantially in response to a strong economy, rising net migration levels, high consumer confidence and some foreign investment.

Total housing starts in 1989 reached the second highest level of the decade. Starts rose to 38,894 units from 30,487 units in 1988, a 28 percent increase. This was short of the record 41,585 units set in 1981. This past year also marked the fifth year of the starts cycle upswing, which makes it the longest expansion phase recorded.

Housing sales surged ahead by about 20 percent for the third consecutive year. MLS residential sales were up an estimated 24 percent to 84,000 units in 1989, compared to 19.7 percent in 1988 and 22.2 percent in 1987.

Existing house prices jumped to an estimated annual average of \$151,400 in 1989 from \$121,040 in 1988. MLS residential price increases accelerated to 25.1 percent in 1989 from 18.8 percent in 1988.

The new single-detached market showed strong gains. Starts were up 22 percent to 21,612 units from 17,761 units in the previous year. New house prices rose by an estimated 15.7 percent in Vancouver and 10.2 percent in Victoria according to Statistics Canada's New House Price Index.

Multiples starts increased by more than single-detached starts. This sector was up by 36 percent to 17,282 units from 12,726 units in 1988. Condominium activity was the impetus behind the higher multiples starts level.

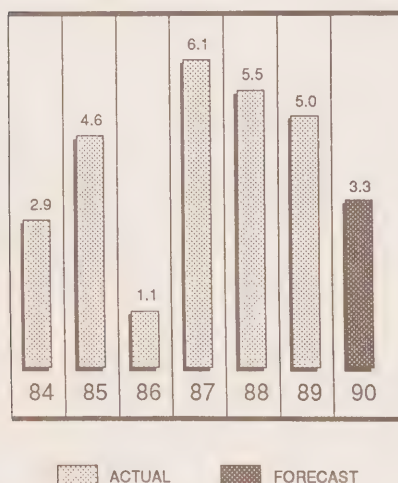
Condominium starts rose sharply by 47 percent to 12,516 units from 8,496 units in 1988. Absorption was strong as reflected by a low inventory-to-absorption ratio. The large starts increase resulted in a corresponding large increase in units under construction at year-end.

Rental market conditions tightened during 1989. The urban B.C. weighted average vacancy rate declined to 0.7 percent in October from 1.2 percent a year earlier. Rent increases accelerated with one-bedroom apartment rents up by an average 11.2 percent in October over the previous year. The annual increase was 6.3 percent in October 1988.





**REAL GROSS DOMESTIC PRODUCT  
% CHANGE**  
BRITISH COLUMBIA



SOURCE: CONFERENCE BOARD.  
CMHC: 1989 ESTIMATE, 1990 FORECAST.

Rental starts were up slightly to 3,604 units from 3,271 units in 1988. The high cost of land, construction and financing relative to market rents limited private rental construction. The strength of the condominium market was an added factor in attracting interest away from rental construction.

Market activity spread to and increased in most parts of British Columbia. Notable starts and sales gains occurred on Vancouver Island and in the Okanagan. Vancouver and the surrounding area accounted for most of the province's activity, although their share declined.

Housing market activity was much stronger in the second half of 1989 than in the first half. A brief and moderate weakness was evident in the second quarter. By the fourth quarter, however, starts, sales and prices were rising rapidly once again. A monthly record starts level was set in September.

## 1990 Outlook

### Economy

Economic growth will be quite strong in 1990 though less than last year's very robust rate. Investment and consumer spending will continue to be the primary sources of growth. Exports will contribute less to overall growth this year than last year. British Columbia's growth rate is expected to be above the national rate in 1990. Employment growth will continue to be strong, attracting a large number of people from other parts of Canada.

In 1990, growth in real GDP is forecast at 3.3 percent, down from last year's estimated rate of 5.0 percent. Investment expenditures are a main growth catalyst. This year nominal investment spending is forecast to increase by 12 percent compared to 21 percent in 1989. Consumer spending as reflected by nominal retail sales is forecast to increase by 9 percent in 1990 following an estimated 11 percent increase last year. The value of goods exports is increasing at a slower rate. Exports were estimated to be up 4.3 percent in 1989 compared to 9.6 percent in 1988. This year the value of goods exported will increase more slowly at a forecast rate of 2 percent. The impact of a high value currency and slower growth in B.C.'s major export markets will limit exports.

Activity trends in the goods-producing industries will be mixed this year. Because of high business and residential investment spending, construction will have the highest growth rate. Forestry manufacturers will be faced with lower prices for pulp, paper and newsprint. Lumber production will increase slightly since U.S. housing starts and the price of lumber are forecast to rise only moderately. The mining sector will be faced with lower base metals prices and output will likely decline. Coal prices and production are expected to run counter to this trend.

Service industry growth will be fairly strong during 1990. Income and population growth as well as lower interest rates bode well for the trade, business and other service industries. Tourism activity will also likely be slightly higher than last year's high level. The transportation and utilities sectors will also experience close to last year's growth rates.

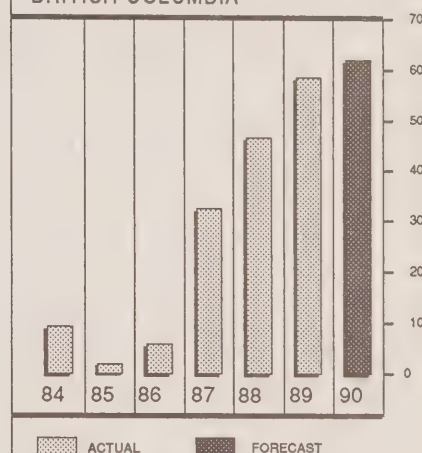
Employment is forecast to increase by 2.8 percent or 51,600 persons in 1990. This will be lower than last year's 5.7 percent growth rate and the record 77,000 jobs created then. Goods-sector employment will increase by 3.0 percent this year following a 5.1 percent gain last year. Service-sector employment will be strong again this year with a 3.8 percent growth rate compared to 5.9 percent last year.

Strong economic growth is the main factor behind higher migration levels. Total net migration is forecast to reach a record level of 62,000 persons this year, up from 58,600 persons last year. Net interprovincial migration is forecast to remain high at 40,000 persons. A growing number of people are migrating from Ontario to British Columbia. Net international migration is rising steadily and will be at 22,000 persons in 1990. The total population growth rate for the province is forecast to be 2.7 percent in 1990, the highest rate in Canada. This high growth rate is the prime contributor to rising housing demand.

### Housing Market

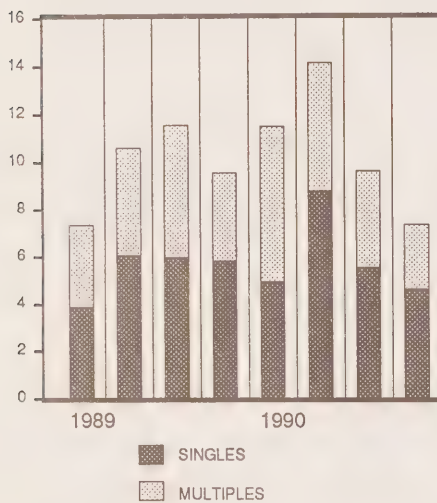
A record level of housing starts is expected this year. Housing sales and prices will increase significantly in 1990. Rental market conditions will remain tight despite an increase in rental construction. High net migration levels, strong employment growth, lower mortgage rates and high consumer confidence will contribute to a very active housing market this year.

**TOTAL NET MIGRATION  
THOUSANDS  
BRITISH COLUMBIA**



SOURCE: STATISTICS CANADA. FORECAST: CMHC.

**HOUSING STARTS**  
**UNITS THOUSANDS (QTRLY)**  
**BRITISH COLUMBIA**



SOURCE: CMHC.

Total housing starts are forecast to be 42,500 units in 1990 up from 38,894 units in 1989 and exceeding the previous record of 41,585 units set in 1981. The current starts expansion cycle phase will continue into its sixth year, which will make it the longest upswing recorded.

Starts activity will continue to increase in areas outside Vancouver. Vancouver Island, the Okanagan and other parts of the province will experience large increases. The level of activity will remain in the Vancouver and the surrounding area but an increasing proportion will occur in the rest of British Columbia.

Single-family starts are forecast to rise to 23,750 units in 1990 from 21,612 units in 1989. The New House Price Index will rise by 20.8 percent in Vancouver this year and by 14.0 percent in Victoria. Rising prices in response to higher demand will stimulate construction.

Multiples starts are forecast to rise to 18,750 units from 17,282 units last year. Low rental vacancy rates and strong condominium demand will contribute to a high level of starts.

Rental construction will double in 1990 over 1989's level. Private rental starts, including Index-Linked Mortgage (ILM) co-op's, are forecast to rise to 5,050 units from 2,559 units in 1989. This increase is mainly because of the province's Rental Supply Plan, which lowers mortgage financing 3 percent below market rates. Another factor is the creation of the Vancouver Land Corporation by the City of Vancouver. Assisted rental construction is expected to increase with more provincial funding for non-profit units.

Vacancy rates in rental apartments will remain low in 1990 despite higher starts. Vancouver's vacancy rate is forecast to be 0.3 percent in October 1990. Rent increases will very likely continue to accelerate. One reason for expecting low vacancy rates is high demand. Another is that completion levels will not increase by as much as starts in 1990 since the average construction period is about nine months for apartments.

Condominium construction will remain at a high level in 1990 though it will be lower than in 1989. Starts are forecast at 10,700 units this year, compared to last year's record level of 12,516 units. A record level of completions is expected in 1990. Completions will increase 53 percent to 12,425 units from 8,110 units last year. While absorption has been strong and is expected to increase over last year, newly completed and unsold inventory levels will very likely rise causing a slowdown in new construction.

Some new condominiums will be purchased by local and foreign investors for rental purposes, though the majority will be purchased for ownership by local and newly arrived consumers.

The very high level of starts is straining the production process and raising costs. Land costs are rising very rapidly and will increase further in 1990. The supply of single family lots is not keeping pace with demand in the metropolitan areas. Construction costs will rise more rapidly in 1990 because of higher labour costs and higher prices for materials. The length of construction time will continue to rise steadily because of the high level of activity and the subsequent strain on the production process.

In the resale market, sales and prices are expected to post further gains this year. MLS residential sales are forecast to rise by 15.7 percent to 96,700 units. The average MLS residential price will rise 18 percent to \$178,100.

Overall, the housing market will be very active in 1990, showing a record starts level and higher sales and prices. Builders will find demand at a high level, but the strain on the supply process will bring higher costs.





# NATIONAL HOUSING OUTLOOK

## HOUSING STARTS - TOTAL

	1984	1985	1986	1987	1988	1989	* 1990
NFLD	2720	2854	2883	2682	3168	3536	3150
PEI	643	788	1110	933	1151	815	775
NS	4598	6923	7571	6460	5478	5359	4950
NB	2873	4142	4045	3716	3621	3681	3400
QUE	41902	48031	60348	74179	58062	49058	41700
ONT	48171	64871	81470	105213	99924	93337	82700
MAN	5308	6557	7699	8174	5455	4084	4400
SASK	5221	5354	5510	4895	3856	1906	2300
ALTA	7295	8337	8462	10790	11360	14712	16600
BC	16169	17969	20687	28944	30487	38894	42500
CAN	134900	165826	199785	245986	222562	215382	** 202500

SOURCE: CMHC.

\* FORECAST.

\*\* Total does not add due to rounding.

# NATIONAL HOUSING OUTLOOK

## HOUSING STARTS - SINGLES

	1984	1985	1986	1987	1988	1989	* 1990
NFLD	2401	2632	2627	2530	2839	2932	2400
PEI	416	559	783	699	704	456	465
NS	3393	4001	4551	4120	3867	3361	3000
NB	2482	3238	3234	2957	2953	2909	2600
QUE	20180	18442	23692	31430	27724	24493	22300
ONT	32851	43509	56448	64929	57099	53511	44100
MAN	3204	3995	4791	4631	3601	2966	3200
SASK	3011	3214	3770	2995	2246	1383	1700
ALTA	6549	7691	7146	9495	9671	12345	13075
BC	9164	11343	12966	16353	17761	21612	23750
CAN	83651	98624	120008	140139	128465	125968	** 116600

SOURCE : CMHC.

\* FORECAST.

\*\* Total does not add due to rounding.

# NATIONAL HOUSING OUTLOOK

## HOUSING STARTS - MULTIPLES AND OTHERS

	1984	1985	1986	1987	1988	1989	* 1990
NFLD	319	222	256	152	329	604	750
PEI	227	229	327	234	447	359	310
NS	1205	2922	3020	2340	1611	1998	1950
NB	391	904	811	759	668	772	835
QUE	21722	29589	36656	42749	30338	24565	19400
ONT	15320	21362	25022	40284	42825	39826	38600
MAN	2104	2562	2908	3543	1854	1118	1200
SASK	2210	2140	1740	1900	1610	523	600
ALTA	746	646	1316	1295	1689	2367	3525
BC	7005	6626	7721	12591	12726	17282	18750
CAN	51249	67202	79777	105847	94097	89414	** 85900

SOURCE : CMHC.

\* FORECAST.

\*\* Total does not add due to rounding.



# NATIONAL HOUSING OUTLOOK

## DETAIL OF MULTIPLE STARTS

	Private Rental Row/Apt	Assisted Rental Row/Apt	Total Rental Row/Apt	Condo Row/Apt	Other Semi/ Row/Free	TOTAL
NFLD						
1988	42	259	301	0	28	329
1989	62	251	313	85	206	604
1990	260	240	500	0	250	750
PEI						
1988	287	86	373	19	55	447
1989	271	53	324	0	35	359
1990	201	59	260	0	50	310
NS						
1988	574	375	949	34	628	1611
1989	660	250	910	506	582	1998
1990	520	280	800	600	550	1950
NB						
1988	578	40	618	50	0	668
1989	317	154	471	221	80	772
1990	365	300	665	170	0	835
QUE						
1988	19482	863	20345	6633	3360	30338
1989	15914	779	16693	4918	2954	24565
1990	12500	600	13100	3500	2800	19400
ONT						
1988	10838	5236	16074	21400	5351	42825
1989	9870	4561	14431	20802	4593	39826
1990	7414	13302	20716	14308	3576	38600
MAN						
1988	804	560	1364	350	140	1854
1989	280	413	693	325	100	1118
1990	400	420	820	280	100	1200
SASK						
1988	548	269	817	653	140	1610
1989	295	111	406	82	35	523
1990	200	150	350	200	50	600
ALB						
1988	264	101	365	511	813	1689
1989	500	200	700	786	881	2367
1990	1100	200	1300	1150	1075	3525
BC						
1988	2320	951	3271	8496	959	12726
1989	2559	1045	3604	12516	1162	17282
1990	5050	1650	6700	10700	1350	18750
CANADA						
1988	35737	8740	44477	38146	11474	94097
1989	30728	7817	38545	40241	10628	89414
1990	28010	17201	45211	30908	9801	85920

# **NATIONAL HOUSING OUTLOOK** *Canadian Housing Survey Report*

## **NEW HOUSE PRICE INDEX (PERCENT CHANGE)**

	1984	1985	1986	1987	1988	* 1989	** 1990
ST. JOHN'S	3.4	2.1	2.3	4.9	2.3	5.2	7.0
HALIFAX	N/A	N/A	2.0	3.4	3.7	1.7	3.0
SAINT-JOHN	10.4	8.4	3.6	4.8	2.9	3.5	4.5
QUEBEC CITY	4.9	5.4	6.7	8.9	11.9	7.1	4.0
MONTREAL	6.2	3.5	7.4	15.1	9.9	3.4	3.0
OTTAWA-HULL	8.4	-0.3	2.8	5.7	6.7	5.0	5.0
TORONTO	0.6	2.8	16.6	26.1	16.7	22.0	12.0
HAMILTON	5.1	5.4	10.2	16.8	11.5	11.0	9.0
ST. CATHARINES	5.7	11.4	12.5	12.6	6.5	13.0	11.0
KITCHENER	3.7	8.9	14.5	14.4	8.9	13.0	12.0
LONDON	4.8	3.8	13.8	16.1	7.7	10.0	9.0
WINDSOR	5.9	5.1	10.3	6.7	5.3	9.0	6.0
WINNIPEG	3.8	5.2	6.4	5.8	1.3	0.0	1.0
REGINA	1.4	0.5	3.4	3.6	1.5	1.0	2.0
SASKATOON	-0.3	2.2	4.5	4.2	1.9	2.0	3.0
CALGARY	-7.5	2.4	8.4	3.9	8.8	7.1	15.0
EDMONTON	-6.1	-6.1	7.3	4.2	5.1	7.6	9.0
VANCOUVER	0.3	-3.8	0.2	4.6	5.2	15.7	20.8
VICTORIA	0.4	-6.2	-5.1	-2.2	7.3	10.2	14.0

SOURCE: STATISTICS CANADA. CMHC: ESTIMATE AND FORECAST.

\* ESTIMATE.

\*\* FORECAST.

# NATIONAL HOUSING OUTLOOK

## MLS ACTIVITY - TOTAL SALES (UNIT SALES AND YEAR/YEAR PERCENTAGE CHANGE)

	1984	1985	1986	1987	1988	1989	* 1990
NFLD	1513	1768	1846	1906	2217	2040	2300
%	3.6	16.9	4.4	3.3	16.3	-8.0	12.9
PEI	295	536	467	507	505	626	650
%	-30.9	81.7	-12.9	8.6	-0.4	24.0	3.8
NS	3992	5262	6098	5903	5734	5640	5500
%	-1.0	31.8	15.9	-3.2	-2.9	-1.6	-2.5
NB	2082	2647	2688	2948	3585	3482	3500
%	-1.1	27.1	1.6	9.7	21.6	-2.9	0.5
QUE	19959	26238	29203	29909	30297	30574	30800
%	107.4	31.5	11.3	2.4	1.3	0.9	0.7
ONT	101465	131902	143988	134370	160502	142639	126268
%	2.1	30.0	9.2	-6.7	19.4	-11.1	-11.5
MAN	9315	11266	11898	12356	11129	10375	11300
%	3.4	20.9	5.6	3.8	-9.9	-6.8	8.9
SASK	7046	7850	8211	7875	7299	6850	7100
%	5.7	11.4	4.6	-4.1	-7.3	-6.2	3.6
ALTA	19028	28162	23705	27632	30368	36230	37000
%	18.0	48.0	-15.8	16.6	9.9	19.3	2.1
BC	30955	43526	46145	56376	67460	83562	96700
%	-3.7	40.6	6.0	22.2	19.7	23.9	15.7
CANADA	195650	259157	274249	279782	319096	322018	320848
%	8.1	32.2	5.8	1.9	14.1	0.9	-0.4

SOURCE: CANADIAN REAL ESTATE ASSOCIATION.

\* FORECAST BY CMHC.

# **NATIONAL HOUSING OUTLOOK**

## **MLS ACTIVITY - AVERAGE PRICE ( PERCENT CHANGE)**

	1984	1985	1986	1987	1988	1989	* 1990
NFLD	60628	65547	69231	73415	76828	83285	89500
%	6.0	8.1	5.6	6.0	4.6	8.4	7.4
PEI	48626	52925	54418	58850	65464	74168	78500
%	2.6	8.8	2.8	8.1	11.2	13.3	5.8
NS	66217	69462	74916	78884	79591	83874	89000
%	10.4	4.9	7.9	5.3	0.9	5.4	6.1
NB	53353	56992	63963	67631	72101	75877	80518
%	13.2	6.8	12.2	5.7	6.6	5.2	6.1
QUE	61438	67255	74506	86002	95317	100544	105600
%	5.4	9.5	10.8	15.4	10.8	5.5	5.0
ONT	78432	86196	108212	135655	161262	184810	191961
%	3.8	9.9	25.5	25.4	18.9	14.6	3.8
MAN	58320	61818	70173	77057	80427	82401	86000
%	6.6	6.0	13.5	9.8	4.4	2.5	4.4
SASK	59703	61431	63792	65811	68362	70417	72000
%	2.1	2.9	3.8	3.2	3.9	3.0	2.2
ALTA	80648	75871	78572	83905	89554	98180	110000
%	-8.5	-6.0	3.6	6.8	6.7	9.6	12.1
BC	90923	87956	92582	101916	121040	151384	178100
%	-4.9	-3.3	5.3	10.1	18.8	25.1	17.6

SOURCE : CANADIAN REAL ESTATE ASSOCIATION.

\* FORECAST BY CMHC.



## NATIONAL HOUSING OUTLOOK

### VACANCY RATES IN APARTMENT STRUCTURES OF SIX UNITS & OVER PRIVATELY INITIATED, IN METROPOLITAN AREAS (INCLUDES NEWLY COMPLETED UNITS AVAILABLE FOR RENT) PERCENT

	1987		1988		1989		1990	
	APR	OCT	APR	OCT	APR	OCT	APR	OCT
CALGARY	5.4	4.3	4.1	2.3	1.8	1.2	0.7	0.5
CHICOUTIMI -JONQUIERE	8.9	10.5	7.2	7.7	5.3	5.9	5.3	5.5
EDMONTON	5.5	5.6	6.8	4.4	3.6	2.4	1.8	1.0
HALIFAX	3.9	4.5	5.7	4.4	4.8	3.3	3.3	3.0
HAMILTON	0.3	0.3	0.3	0.4	0.4	0.6	0.4	0.3
KITCHENER	0.4	0.6	0.8	0.4	0.5	0.7	0.9	0.7
LONDON	1.0	1.0	2.1	3.0	3.6	2.9	3.2	3.4
MONTREAL	1.7	3.8	4.0	4.3	4.0	5.1	4.3	3.7
OSHAWA	0.1	0.6	0.3	0.4	0.3	0.7	0.6	0.7
OTTAWA	2.1	1.7	1.9	1.6	2.2	1.5	1.9	1.5
HULL	7.7	10.8	7.2	4.8	4.0	3.2	2.0	1.7
QUEBEC	3.0	5.9	5.3	5.7	4.1	4.7	4.3	5.2
REGINA	4.1	2.5	5.0	5.4	8.1	6.5	8.0	6.0
ST. CATHARINES -NIAGARA	1.0	0.5	1.7	1.0	1.1	1.0	0.8	1.5
SAINT JOHN	5.4	4.2	3.8	3.5	4.3	3.0	4.0	3.3
ST. JOHN'S	9.1	10.1	10.8	8.8	7.7	5.7	6.4	4.1
SASKATOON	4.7	4.4	8.6	8.8	10.4	8.9	8.6	8.0
SHERBROOKE	4.8	6.5	6.7	9.8	7.7	9.8	8.0	7.5
SUDBURY	1.1	1.0	1.4	0.3	1.4	0.3	0.4	1.2
THUNDER BAY	3.1	2.2	2.1	1.4	1.4	0.6	0.4	0.3
TORONTO	0.1	0.1	0.2	0.2	0.3	0.5	0.4	0.5
TROIS-RIVIERES	6.1	9.1	6.9	6.2	6.0	5.8	4.8	4.5
VANCOUVER	2.3	1.1	1.0	0.5	0.5	0.6	0.4	0.3
VICTORIA	1.1	0.4	1.0	0.3	1.1	0.6	1.0	0.6
WINDSOR	1.1	-0.7	1.1	0.8	1.0	1.0	1.2	1.4
WINNIPEG	2.0	3.0	3.1	4.3	4.8	6.5	6.0	5.0

SOURCE: CMHC.

# **NATIONAL HOUSING OUTLOOK**

## **EMPLOYMENT (PERCENT CHANGE)**

	1984	1985	1986	1987	1988	1989	* 1990
NFLD	1.1	0.0	2.8	2.8	5.5	4.1	0.5
PEI	2.1	4.1	2.0	1.9	3.8	0.0	-0.9
NS	5.3	0.0	2.1	2.9	4.6	1.9	1.1
NB	0.4	4.0	3.5	3.7	2.9	1.4	1.8
QUE	3.0	3.0	2.2	3.5	2.8	1.0	0.3
ONT	3.6	3.7	3.5	3.3	3.7	1.8	0.9
MAN	2.6	1.7	2.7	0.8	0.4	0.8	1.0
SASK	0.7	3.0	1.1	0.2	-0.4	-1.1	1.0
ALTA	-0.1	0.8	2.0	0.4	3.5	2.3	2.2
BC	0.4	2.3	3.7	2.5	4.0	5.7	2.8
CAN	2.5	2.8	2.9	2.8	3.2	2.0	1.1

SOURCE : STATISTICS CANADA; CMHC.

\* FORECAST BY CMHC.

## NATIONAL HOUSING OUTLOOK

### TOTAL NET MIGRATION

	1984	1985	1986	1987	1988	* 1989	** 1990
NFLD	-3563	-4979	-4853	-4946	-2066	-700	-2500
PEI	564	38	-389	616	740	300	300
NS	3645	345	-91	-981	-722	-800	-300
NB	766	-1663	-8093	-2630	-962	2000	1000
QUE	-3817	2446	10228	14022	11844	22500	26500
ONT	56138	50985	68543	100444	79138	72500	76000
MAN	2609	286	-999	-1972	-6336	-5400	-5000
SASK	2078	-4151	-5908	-8923	-14771	-15100	-10900
ALTA	-26272	-6811	-17203	-17671	5114	8000	12000
BC	9318	1935	5908	32249	46579	58600	62000
CANADA***	41466	38431	47143	110208	118558	143500	159100

SOURCE: STATISTICS CANADA; CMHC.

\* ESTIMATE.

\*\* FORECAST BY CMHC.

\*\*\* EXCLUDES YUKON AND NORTHWEST TERRITORIES.







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WINTER 1991**



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**NATIONAL HOUSING OUTLOOK**

**WINTER, 1991**

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Forecast prepared February, 1991

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# Canada



## EXECUTIVE SUMMARY

Housing activity in Canada slowed sharply in 1990, largely in response to higher interest rates. Total starts dropped by 16 per cent to 181,630 units, their lowest level since 1985. The total number of starts for 1991 is forecast to decline another 16 per cent to 152,000 units. Although lower levels of both single-detached and multiple unit starts will contribute to the decline, a sharp drop in multiples, particularly condominium unit starts, will play a major role. Similar to the previous forecast, the level of housing starts is expected to remain weak throughout the first half of 1991 before recovering during the second half of the year.

As mortgage rates were a principal factor contributing to the slowdown experienced in the second half of 1990, they will also be a key ingredient fueling the recovery in 1991 and 1992. Following a recovery during the second half of 1991, the level of housebuilding activity will continue to increase throughout 1992 as inventories are reduced, employment and income improves and confidence is restored. Housing starts are forecast to increase to 182,000 units in 1992.

### Newfoundland

The level of residential construction activity declined in 1990 due to the combination of high interest rates, weaknesses in the resource based sectors and increased out-migration. Consistent with improved economic performance, housing markets are expected to perform well over the forecast period. Employment gains associated with the Hibernia development and the expected continuation of the downward trend in interest rates will

support increased housing production in 1991-92. Total starts are expected to advance 6.3 per cent to 3,450 units in 1991 and then increase a further 11.6 per cent to 3,850 units in 1992.

*...starts for 1991  
are forecast  
to be 152,000  
units. . .*

### Prince Edward Island

Housing starts declined for the second year in a row in 1990 as a result of increased out-migration and rising unemployment rates and are forecast to decline further to 500 units in 1991. This represents a decline of 34 per cent from 762 started in 1990. Lower mortgage rates will not be sufficient to counter the reduced demand for housing due to high levels of out-migration and unemployment. Improved economic growth in 1992 will result in increased housing starts. Reduced out-migration and unemployment levels along with lower interest rates will release pent-up demand for first-time homebuyers. Total starts are forecast to rise 25 per cent to 625 units in 1992.

### Nova Scotia

The residential construction industry in Nova Scotia turned in a solid performance in 1990. A total of 5,560 new homes were started, which is up 3.8 per cent over the previous year. The demand for housing in Nova Scotia will continue to soften in 1991, after a short reprieve in 1990. Provincial housing starts are forecast to decline 17 per cent to 4,600 units in 1991, as the economic recession takes its toll on consumer and investor confidence. The economy is forecast to emerge from the recession in the latter half of 1991, stimulating a small recovery in home construction. Starts activity is forecast to pick-up in 1992 to 5,100 units.

### New Brunswick

The New Brunswick housing market weakened in 1990 as a result of high interest rates and low consumer confidence and is forecast to experience a further decline in activity in 1991 before recovering modestly in 1992. A shrinking national economy, low levels of consumer confidence and marginal net in-migration will result in a downward trend in activity levels throughout the province. Total housing starts will drop 10.5 per cent to 2,400 units in 1991 before recovering to 2,850 units in 1992.

### Quebec

Despite a sharp decrease during the second half of the year, the housing market experienced a relatively good year in 1990 with the total number of starts at

48,070 units, only two per cent lower than 1989. Although the economy will remain weak in 1991, the housing market is expected to begin to recover by the summer as a result of continued decline in interest rates, renewed consumer confidence as well as provincial government programs designed to stimulate housing demand. Total housing starts are expected to bottom out at 39,500 units in 1991 and rebound to 46,500 in 1992.

## Ontario

Housing starts in Ontario, which have been moderating since the 1987 high of 105,213 starts, took a sharp drop in 1990 in response to high interest rates and low consumer confidence ending the year at 62,649 starts, down a record 33 per cent from last year. Further weakness in the economy will contribute to a continued decline in housing starts in 1991 to 57,000 before a 23 per cent recovery in 1992 to 70,000 units.

## Manitoba

High mortgage rates, weak economic growth and continued, albeit lower, out-migration combined to erode consumer confidence and keep demand for housing weak in Manitoba in 1990. Housing starts are forecast to decline a further 24 per cent to 2,500 in 1991 before a 20 per cent recovery in 1992 to 3,000 units. Continued high apart-

ment vacancy rates in most centres will result in a record low number of multiple starts in 1991 while single-detached starts will fall sharply due largely to weaker demand for smaller starter homes.

## Saskatchewan

New residential construction in Saskatchewan continued to slow in 1990 with housing starts declining 26 per cent below the previous year. This is the fewest number of starts in the province since CMHC began keeping records in 1948. The key factor in the very weak performance of the provincial housing market has been the flat demand for housing as a result of little job creation, limited income growth, large net out-migration, population losses in rural areas and high interest rates. No recovery is foreseen for Saskatchewan housing markets in 1991. Markets will stabilize at current levels before making modest advances in 1992. Weak economic performance in 1991 and only a slight recovery in 1992 are the main reasons for this forecast. Total provincial housing starts in 1991 will be 1,450 almost the same number as in 1990 and will increase slightly to 1,600 in 1992.

## Alberta

After slowing throughout the latter part of 1990, Alberta's housing market will continue to grow in 1991 and 1992 as a result

of improving economic conditions and population growth. Despite a slow beginning in 1991, growing demand for housing will exert upward pressure on the level of housing starts throughout the forecast period. Total housing starts in the province will decrease by seven per cent from 17,227 in 1990 to 16,000 in 1991. In 1992 total housing starts will increase by 16 per cent to 18,500 units as strong market growth continues throughout the year.

## British Columbia

By the end of 1990 starts levels were well below peak levels achieved in late 1989 and early 1990. The housing market cycle is expected to turnaround in 1991 and enter a recovery phase extending into 1992. Despite the weak prognosis for the B.C. economy in 1991, lower interest rates and prices are expected to stimulate demand sufficiently to generate the beginning of a moderate recovery phase. The starts recovery phase is expected to start slowly in mid-1991 and gain strength in 1992. Housing starts are forecast to decrease to 24,575 units in 1991 before increasing to 29,650 units in 1992. ■

# HOUSING MARKET REVIEW - 1990

Housing activity in Canada slowed sharply in 1990 largely in response to higher interest rates. Total starts dropped by 16 per cent to 181,630 units, their lowest level since 1985. Single-detached starts led the decline falling by 19 per cent to 102,315 units. Multiple unit starts were slower to respond to the increase in mortgage rates but by the third quarter were clearly affected by changing economic conditions and by year-end had declined 11 per cent from the previous year.

After peaking in the first quarter of 1990 at 223,000 units seasonally adjusted at an annual rate (SAAR), the level of starts fell throughout the following three quarters. Mortgage rates exceeding 14 per cent throughout most of the second and

third quarter were a principal factor contributing to the slowdown but increased uncertainty due to rising unemployment as well as other economic and political developments also reduced demand for housing units during this period.

While the decline was widespread, there were exceptions. Alberta and Nova Scotia recorded higher levels of starts while the magnitude of the decline experienced by the other provinces was varied. Ontario recorded the sharpest drop in housing starts followed by New Brunswick, Saskatchewan and Manitoba. The decline was more modest in British Columbia, Quebec, Newfoundland and Prince Edward Island.

A deterioration in affordability as a result of rising mortgage rates and high house prices stalled activity in the overheated markets such as Toronto and Vancouver, while weak employment and income growth coupled with high vacancies led to a further drop in housebuilding activity in provinces such as Manitoba and Saskatchewan. By contrast, the housing market in Alberta benefited from relatively better economic performance than central Canada while the strength of housing starts in Quebec continued to surprise most analysts. Housebuilding activity in Quebec was fueled by stronger than projected employment growth as well as international migration and provincial housing programs.



As a result of rising inventories and reduced demand, vacancy rates were higher in most metropolitan areas in 1990. Most notably, vacancy rates were higher in Ontario and British Columbia although rental markets continued to remain tight in these provinces. Vacancy rates in Quebec also continued to edge up and along with Manitoba and Saskatchewan were the highest in the country, exceeding five per cent on average.

Resale activity also matched the trends in new construction but responded to the increase in interest rates earlier. Total sales declined 23 per cent to 249,728 units, the sharpest year-over-year decline on record and the lowest level since 1984. Similar to new construction, the overheated markets such as Ontario and British Columbia recorded the largest percentage declines in sales. With the exception of Nova Scotia and Prince Edward Island, all other provinces posted declines but the magnitude was substantially less than that experienced in Ontario and British Columbia.

House prices responded to changing market conditions during the past year with excess supply conditions in most major metropolitan markets placing downward pressure on prices. The most pronounced adjustment occurred in the overheated markets such as Toronto and Vancouver, where resale prices declined by approximately nine per cent from their respective peak by year-end 1990. Price increases slowed sharply or stalled in most other metropolitan markets and after adjusting for inflation were unchanged or lower in real terms.

## 1991-92 OUTLOOK

### Economy

Economic growth in Canada declined to its slowest pace in eight years in 1990. At 0.7 per cent, the increase in the output of goods and services was the lowest level since 1981/82 recession and it is unlikely that economic conditions will improve substantially before the third quarter of 1991. Consequently, gross domestic product adjusted for inflation is forecast to decline by 0.5 per cent in 1991 before

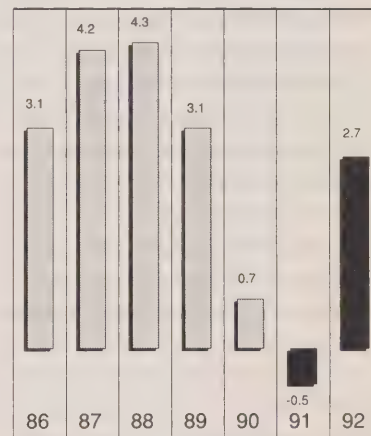
growing by 2.7 per cent in 1992. The recessionary environment is expected to last through the first half of 1991 with most components of expenditure contributing to the weakness during this period. Although the recession is expected to last possibly 5 quarters, it will be less severe than the one experienced in 1981/82. The magnitude of the decline during this recession will be mitigated by a number of factors such as low inventory-to-sales ratios and continued growth in Japan and Germany. The recovery will be fueled primarily by lower interest rates and improved exports (assuming a U.S. recovery by the second half of 1991), but is expected to be mild. High consumer debt levels, a sharp drop in corporate profits and fiscal policy constrained by a high federal deficit will limit the ability of most sectors to contribute to a sharp rebound. As well, inventory investment will contribute less to growth than in previous recoveries.

Although the recession will affect all provinces, the magnitude of the impact will vary. Ontario is expected to be the hardest hit followed by Quebec. All other provinces are expected to experience very weak growth in 1991, with the exception of Alberta and Newfoundland which will benefit from energy investment. Economic activity will have improved in most provinces by the end of 1991 but the magnitude of the recovery will differ for each province. Once again Alberta and Newfoundland will lead growth in 1992 largely due to energy investment. Ontario, which will benefit from increased exports of manufactured goods, will also exceed the national average in 1992. For most other provinces the recovery will be modest with growth of between 2 to 2.5 per cent.

The outlook for employment will mirror that of the overall output of goods and services. Following weak job growth in 1990, total employment is forecast to fall by 0.8 per cent in 1991, the first decline in annual employment since 1982. Despite the drop, the number of jobs lost is expected to be much less than that experienced during the 1981/82 recession when total employment dropped by 3.5 per cent in 1982. Despite slower growth in the labour force, the drop in the number

of jobs will push the unemployment rate to an average of 9.7 per cent in 1991. Canada's unemployment rate will peak close to 10 per cent during the middle of 1991 before gradually declining to about 9 per cent by the end of 1992. The level of employment will improve along with the economy in the second half of 1991. Although annual employment is expected to grow by 1.6 per cent in 1992, it will not be sufficient to reduce the unemployment rate significantly during this period. Once the recovery begins the decline in the unemployment rate is expected to be gradual. This will be due to the projected moderate recovery as well as an acceleration in the growth in the labour force as workers re-enter the job market. As well, industry usually increases hours worked during the initial stages of the recovery before hiring additional staff.

### Real Gross Domestic Product % Change CANADA



SOURCE: Conference Board.  
CMHC: Forecast.

With a substantial easing in labour and product markets during the recession, inflationary pressures will be reduced. Capacity utilization for most industries has fallen sharply during the past year while the unemployment rate has jumped almost two full percentage points since the first half of 1990. The unemployment rate will remain well above the estimated non-accelerating inflation rate of unemployment. Although the recession will dampen the underlying core inflation rate,



other factors such as oil prices and the Goods and Services Tax will contribute to higher consumer prices in the first part of 1991. The outlook for oil prices present the greatest risk at this time due to the Gulf War. This forecast has assumed an average price of \$U.S. 26-28 per barrel for 1991 and \$U.S. 22-24 per barrel in 1992.

Most forecasters expect interest rates to decline further in 1991 in response to a weak economy and a reduction in inflationary pressures. The introduction of the GST and relatively high interest rates in the U.S., Germany and Japan will, however, moderate the decline in Canadian rates, particularly long-term rates. In 1991, mortgage rates are expected to fall by 1.75-2.25 percentage points from the level observed at the end of December 1990. Mortgage rates for a one-year term are expected to range between 10.25 and 10.75 per cent while mortgages rates for a five-year term are will range between 10.50 and 11.00 per cent. Most of the decline in mortgage rates is expected to occur during the first half of the year followed by a levelling off in the second half as economic conditions improve.

There are a number of factors which could alter the near-term outlook. The primary ones are the Gulf War, consumer and business confidence and the U.S. financial system.

A major risk to the short-term outlook arises from the Gulf war. The current economic outlook assumes an early end to

the war. There are a wide range of alternative scenarios, one of which would be a prolonged conflict resulting in a severe disruption to oil supplies and sharply higher oil prices. Despite the fact that Canada is a net oil exporter, sharply higher oil prices could adversely affect the already weakened economies of Canada's trading partners and increase the risk of a prolonged recession. Additionally, a prolonged conflict could further depress consumer confidence. This coupled with shrinking disposable income as a result of rising unemployment, higher oil prices and the introduction of the GST could further reduce consumer spending power potentially resulting in a sharp cut-back in expenditures on their part.

The forecast assumes that the U.S. economy will recover by the middle of 1991 but in addition to the risk posed by the Gulf War, there are the current problems associated with the U.S. financial system. The present banking crisis as well as high personal and corporate debt levels present a risk to the U.S. financial system not experienced since the 1930's. While the crisis will have an adverse impact on the federal deficit as well as consumer and business confidence, the monetary and fiscal authorities are expected to ensure that the financial system remains sound and that a severe credit crunch does not occur.

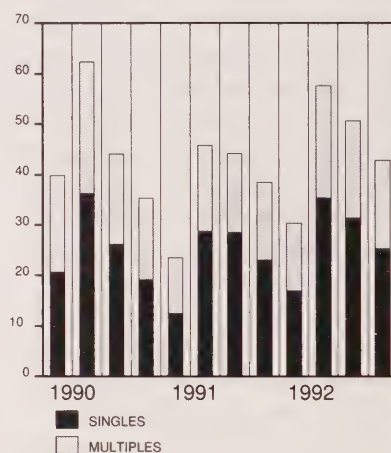
## Housing Market

The outlook for the housing market has not changed significantly from the previous forecast although weaker than expected economic growth in the U.S. and Canada have resulted in a downward revision to the level of starts and sales of existing units in 1991.

The total number of starts for 1991 is forecast to be 152,000 units, down 16 per cent from the 181,630 units started in 1990. Although lower levels of both single-detached and multiple unit starts will contribute to the decline, a sharp drop in multiples, particularly condominium unit starts, will play a major role. Single-detached starts are projected to decline by 9 per cent to 93,000 units, following a drop of 19 per cent in 1990. The decline in single-detached starts

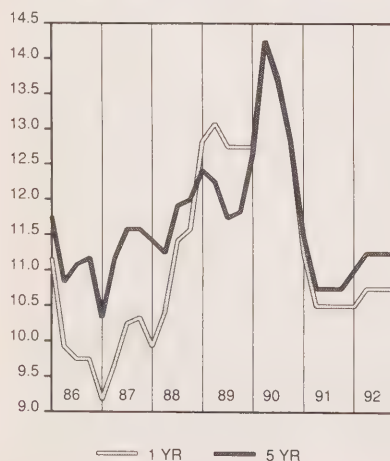
will be widespread but will be greatest in British Columbia, Quebec and Manitoba. Multiple unit starts will decline by 26 per cent to 59,000 units reducing their share of total starts to 39 per cent. Similar to single-detached starts, the decline in multiples will be widespread, and with the exception of a few provinces such as Alberta, Saskatchewan and Newfoundland, will be substantial with the decline ranging from 15 to 55 per cent. Total starts, at 152,000, while reaching their lowest level since 1985, will still remain above the levels recorded during the 1981/82 recession.

**Housing Starts**  
Units Thousands (Qtrly)  
**CANADA**



SOURCE: CMHC.

**Mortgage Rates**  
Percent  
**Major Financial Institutions**



SOURCE: Bank of Canada Review; CMHC.

Following a recovery during the second half of 1991, the level of housebuilding activity will continue to increase throughout 1992 as inventories are reduced, employment and income improves and confidence is restored. Housing starts are forecast to increase to 182,000 units in 1992. Despite the higher level of activity, total starts will fall below potential requirements, setting the stage for further gains. A sharp rebound in multiple unit starts, particularly condominium units, will be a major factor contributing to the recovery. The gains will be broadly based and will be led by Ontario and Quebec.

Similar to the previous forecast, the level of housing starts is expected to remain weak throughout the first half of

1991 before recovering during the second half of the year. As rising mortgage rates were a principal factor contributing to the slowdown experienced in the second half of 1990, they will also be a key ingredient fueling the recovery in 1991 and 1992.

Lower mortgage rates in addition to declining house prices in the overheated markets such as Toronto and Vancouver as well as more modest increases in prices in other markets will improve affordability setting the stage for a recovery as the price/income imbalance is corrected. A number of provincial government programs will also act as a mild stimulus during the forecast period. Ontario's Homes Now Program is expected to contribute to increased levels of socially assisted units while the latest program announced by Quebec will possibly add between four to eight thousand private market starts in 1991.

The recovery will be gradual as a result of high debts loads, rising unemployment, high inventories and increased uncertainty. Despite some reduction, residential debt as a proportion of personal disposable income continues to remain at a high level. As well the unemployment rate is forecast to rise to the 10 per cent level and this combined with weak income growth will reduce potential homebuyers ability to enter the housing market. Low sales of existing units will also limit the ability of the existing homeowners to move-up in the housing market. Additionally, existing inventories of newly completed and unoccupied units are typically drawn down before substantial increases in new construction occur. Although mortgage rates have declined substantially since the end of 1990 and are projected to decline further, the lag between changes in the level of interest rates and housing starts is estimated to be approximately one to two quarters. This combined with high inventories point to no substantial pickup in starts activity until the second half of 1991. As price increases are expected to be modest during the recovery the investment motive will not be a principal factor fueling demand for housing at this stage in the cycle.

Although the recovery will be dampened by the preceding factors, it will

not take as long as the period following the 1981/82 recession before housing starts reach levels consistent with potential housing requirements. Total housing starts at a seasonally adjusted annual rate are projected to be close to the 200,000 unit level by the end of 1992, returning to levels consistent with underlying demand. This is in contrast to the previous recession when it was 1986 before total starts reached the 200,000 unit level.

Although a mild recovery is expected, there are a number of factors supporting a strong level of activity once the recovery is firmly in place. Housing starts are expected to fall short of underlying housing requirements during the 1990-92 period resulting in pent-up demand. This combined with estimated annual average housing requirements of over 200,000 units during 1991 and 1992 point to the potential for housing starts to exceed 200,000 units per annum.

Vacancy rates in apartment structures of three units and over privately initiated will parallel trends in the new and existing housing markets. A reduction in the supply of rental units and increase in demand will reduce the number of vacant rental units in most major markets in Canada during the next two years. Household formation is expected to increase along with economic conditions while lower levels of rental units started particularly in 1991 will limit the supply. Similar to sales of new and existing units, the improvement in the rental market is expected to be gradual with the outlook depending upon economic and market conditions in each market. Despite the improvement, vacancy rates in Quebec, Saskatchewan and Manitoba will continue to exceed the national average with rates ranging between four and eight per cent while rental markets in Ontario, British Columbia and Alberta will continue to remain tight.

Sales of existing units proceeded the decline in housing starts in 1990 and by year-end had declined by 23 per cent, almost twice the rate of new construction. Similarly, sales of existing units will begin to recover prior to housebuilding activity and consequently are forecast to rise by a modest two per cent in 1991 compared to a further decline in new construction. With

the exception of New Brunswick, Nova Scotia and Ontario, all provinces will share in the recovery although the gains will be modest. Similar to new construction, the combination of lower mortgage rates, and improved affordability in markets such as Toronto and Vancouver will stimulate the demand for existing units. As the economy improves and confidence is restored, the recovery will accelerate with sales of existing units increasing at a faster pace. Following an increase of two per cent in 1991, total sales are projected to grow by eight per cent in 1992, although at 274,000 units will be substantially below the levels recorded during the second half of the 1980's.

Price increases will be modest over the forecast period, averaging approximately five per cent. With inflation projected to average between four to six per cent during the next two years, house prices will remain unchanged in real terms. Price changes will reflect market conditions over the forecast period. Weak demand and excess supply (buyers market conditions) will limit price increases in most provinces during the next two years, although there will be a few exceptions. Both Alberta and Newfoundland, fueled by above average growth in demand, will lead the country with prices increasing by approximately eight to nine per cent. Most other provinces are expected to post gains in the range of one to seven per cent. It will likely be the second half of 1991 before the sales-to-listing ratio increases sufficiently to restore balanced market conditions in most metropolitan areas. ■



# Newfoundland



## Housing Market Review – 1990

Residential construction activity slowed in 1990, following a stellar performance in 1989. The combination of high interest rates, weaknesses in resource based sectors and increased outmigration dampened housing market activity in 1990. Housing starts declined 8.2 per cent to 3,245 units from 1989 levels. Single-detached starts were responsible for the drop in new home construction as total production fell 15.8 per cent to 2,468 units. Multiple unit construction experienced substantial growth with total starts advancing 28.6 per cent to 777 units. Higher multiple unit starts were supported by increased construction of single-detached dwellings with subsidiary/accessory apartments as individuals addressed affordability concerns in response to high interest rates. Above average production levels of federal/provincial assisted housing and private investment in the condominium and rental markets also contributed to the surge in multiple unit construction.

Contrary to the national trend, the resale market in the St. John's CMA in 1990 was only marginally weaker than 1989. MLS sales volumes were down a modest 0.9 per cent to 1,939 units. Strong employment growth coupled with finalization of an agreement for start of the \$5.2 billion Hibernia project in September 1990 served to maintain sales activity at a high level. Supported by the sale of higher priced housing units, average sale price increased a healthy 6.8 per cent to an annual average of \$88,939. The central region of the province experienced a significant decline in activity with sales volumes falling 30 per cent to 59 units. Sale price in central Newfoundland decreased 4.9 per cent

to an annual average of \$79,275. MLS sales for Newfoundland totalled 1,998, down 2.1 per cent from 1989 levels.

The rental market in the St. John's metropolitan area began to tighten in the second half of 1990 with the apartment vacancy rate at its lowest level since 1982. The vacancy rate for privately initiated apartment structures containing three or more units declined to 1.8 per cent in October 1990 down from 4.7 per cent a year earlier. The sharp decline in the vacancy rate reflects limited construction in recent years of new apartments, seasonal movement of students to the area and the exclusion of some apartments previously counted as vacant but now considered unrentable as they require major renovations.

## 1991-92 OUTLOOK

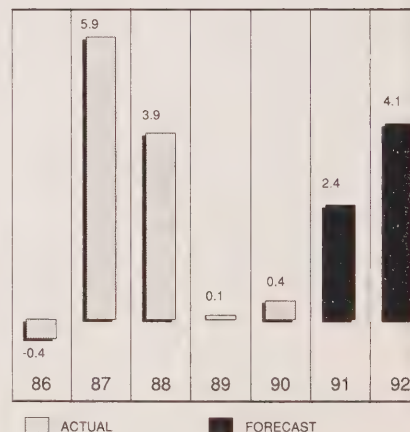
### Economy

Following slower economic growth estimated at 0.4 per cent in 1990, the economy is expected to outperform most other provinces over the forecast period. Although some key goods producing industries are expected to remain weak in 1991, investment expenditures flowing from the \$5.2 billion Hibernia development will provide much needed economic stimulus. Real Gross Domestic Product is forecast to advance to 2.4 and 4.1 per cent respectively, in 1991 and 1992. Further downsizing in the fishery and a continuation of soft demand for newsprint will be more than offset by increased construction output related to the Hibernia project.

The substantial decline in the Total Allowable Catch (TAC) for northern cod in 1990 caused the major fish companies to

reduce processing capacity in the province. Processing plants owned by Fishery Products International located at Trepassey, Grand Bank and Gaultois are scheduled for permanent closure in mid-1991 affecting approximately 1,500 employees. A new three year Atlantic groundfish management plan unveiled in December 1990 set the TAC for northern cod at 187,860 metric tonnes for 1991, down by nearly 10,000 tonnes from 1990. The plan called for further reductions to 183,002 and 178,145 tonnes in 1992 and 1993, respectively. Further downsizing in the fishery sector is likely over the forecast period. However, the decline will be moderate as further plant closures are expected to be minimal. While the Federal Government's \$584 million Atlantic Canada response program is expected to lessen the impact of the layoffs,

## Real Gross Domestic Product % Change NEWFOUNDLAND



SOURCE: Conference Board.  
CMHC: Forecast.

alternative employment opportunities in affected communities will be limited.

Following lower output in the forest products sector in 1990, demand for newsprint is expected to remain relatively flat over the forecast period. The trend towards lower output levels reflects the persistence of soft market conditions particularly in the U.S. market and the relative strength of the Canadian dollar. Despite the closure of the St. Lawrence fluorspar mine in late 1990 and the shutdown of the Baie Verte asbestos mine in early 1991, mining industry activity is forecast to post gains in both 1991 and 1992. Direct expenditures associated with the Hibernia development are expected to initiate renewed interest in oil and gas exploration activities providing support for expansion in the industry. Although the province's iron ore industry is expected to produce at 1990 levels over the forecast period, employment will post gradual declines as the province's two major producers strive for further productivity improvements. Lower fisheries output combined with a continuation of soft newsprint markets and higher employment costs stemming from introduction of a provincial payroll tax will limit opportunities for expansion in the manufacturing sector in 1991-92.

The signing of the agreement for the Hibernia Development and the awarding of related contracts in mid-September 1990 has served to bolster sagging business confidence. The project will involve expenditures totalling \$5.2 billion during the six year pre-production phase and will provide an estimated 10,000 person-years of direct employment. Employment is expected to peak at 3,000 jobs during the construction stage. The construction industry will benefit from activities related to the project with significant increases in output expected in 1991-92.

After exhibiting some weaknesses in 1990, the service sector is expected to rebound in 1991-92 as income and employment levels increase with the Hibernia project. Expected job losses associated with provincial government cutbacks and the introduction of the Goods and Services Tax will moderate the pace of expansion in the near term. Despite these negative influences, the service sector will continue to ex-

pand over the forecast period with added impetus from the oil and gas sector.

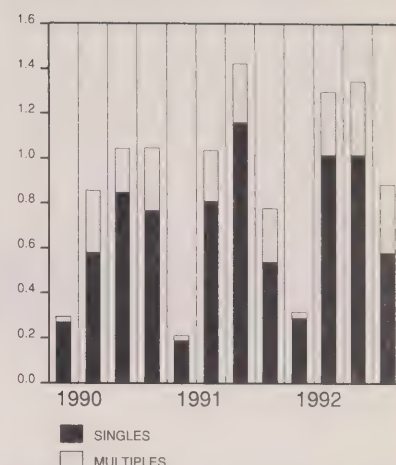
After experiencing no growth in 1990, employment is expected to record a modest increase of approximately one per cent in 1991. Employment growth will advance a healthy 2.5 per cent in 1992 with spin-offs from the Hibernia project providing the major thrust. Despite the boost to employment from the Hibernia project, the province's unemployment rate will remain in the 16 to 17 per cent range over the forecast period.

Poor performance in the province's resource sectors initiated a considerable outflow of people in 1990, as net migration increased to an estimated -3,500 persons. Although the province will continue to experience a net outflow of people in 1991, the economic downturn in Central Canada and positive expectations concerning the Hibernia development will serve to limit the traditional exodus of persons to other provinces. Preconditions attached to securing employment with Hibernia coupled with a national recession that is expected to be relatively shallow compared to 1982, will lessen the prospects for increased migration to the province. Total net-migration is forecast to decline to -500 in 1991 and zero in 1992.

## Housing Market

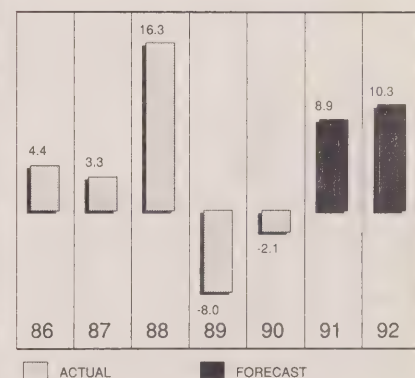
Consistent with the province's economic outlook, housing markets are expected to perform well over the forecast period. Employment gains associated with the Hibernia development and a continuation of the downward trend in interest rates will support increased housing production in 1991-92. Total starts are expected to advance 6.3 per cent to 3,450 units in 1991 and then increase a further 11.6 per cent to 3,850 units in 1992. Single-detached units are forecast to increase 9.4 and 7.4 per cent to 2,700 and 2,900 units, respectively, in 1991 and 1992. Multiple-unit construction is expected to approximate 1990 levels in 1991 at 750 units. Lower net out migration and strong employment growth stemming from Hibernia spin-offs will provide added stimulus to the private rental market in 1992 with total multiple starts advancing 26.7 per cent to 950 units. Assisted multiple starts are forecast at 220 units for both

## Housing Starts Units Thousands (Qtrly) NEWFOUNDLAND



SOURCE: CMHC.

## Residential MLS Sales % Change NEWFOUNDLAND



SOURCE: CREAA.  
CMHC: Forecast.

1991 and 1992. Market rental, condominium, and single-detached units with subsidiary/accessory apartments will account for the balance.

Following a modest decline in MLS sales volumes in 1990, the resale market in the St. John's CMA is expected to rebound in 1991-92. Lower interest rates and in-migration associated with the Hibernia project will contribute to a resurgence in the resale market. Total MLS sales are forecast to increase 8.3 per cent to 2,100 units in 1991. Spurred by the continuation of a strong move-up market, MLS sales will advance 9.5 per cent to 2,300 units in



1992. MLS sales in Central Newfoundland are expected to approximate 75 units in 1991 before reaching 100 units in 1992. Total MLS sales for the province are forecast to advance 8.9 and 10.3 per cent, respectively, in 1991 and 1992. The average sales price is expected to increase between 8 and 10 per cent annually over the forecast period.

The gap between market rents and rents required to ensure project viability con-

tinues to discourage developers from constructing new apartments in the metro region. With additional demand expected to be generated in 1991 and 1992, opportunities exist for the construction of reasonably good quality rental units. Vacancy rates are expected to range between 2.6 and 2.9 per cent in 1991. As the economy continues to expand in 1992, the limited supply of new rental accommodation will result in a further reduction in vacancy

rates to between 1.9 and 2.5 per cent. Rental rates for above average-quality accommodation are expected to increase at or slightly above the rate of inflation over the forecast period. Without renovations to lower quality stock, this segment of the market will continue to experience high vacancies restricting the ability of landlords to raise rents. ■

## PROVINCIAL HOUSING OUTLOOKS

# Prince Edward Island



## Housing Market review – 1990

Housing starts declined for the second year in a row on Prince Edward Island, but the drop in 1990 was moderate compared to the previous year. The lowest economic growth in the past decade, along with increasing out-migration and unemployment rates have led to a weakened housing market on the Island. Although employment grew by 1,000 to 55,000, the labour force grew by 2,000, leading to an increase in the number unemployed as well as the unemployment rate.

Single-detached unit starts in 1990 remained relatively stable with 1989 levels, increasing by 5.9 per cent to 483. The number of multiple unit starts was down significantly to 279, a decline of 22 per cent. Multiple unit starts were very slow in the second and third quarters of 1990, with a large increase at year end. November and December starts represent over 50 per cent of the total multiple starts for 1990.

Residential sales through the Multiple Listing Service (MLS) increased as a higher percentage of transactions utilized

the service. Sales grew by 18.5 per cent to 742 units. Increased sales activity in the Summerside area was a result of the movement of people from CFB Summerside. The average residential MLS sales price decreased by 6.6 per cent to \$69,284.

The rental market in Charlottetown in October 1990 maintained the 3.0 per cent vacancy rate of October 1989. This level reflects lower than expected vacancy rates. The number of students living off-campus was higher due to the use of university facilities for the Canada Winter Games. Vacancy rates were held down by this one time move away from campus housing.

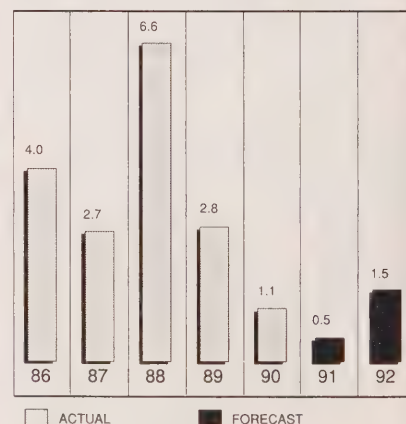
## 1991-92 OUTLOOK

### Economy

Economic growth on Prince Edward Island is expected to decline from an estimated 1.1 per cent in 1990 to 0.5 per cent in 1991. Constrained federal and provincial government spending, reduced farm cash receipts, and a drop in tourist numbers and expenditures will cause growth in real gross domes-

tic product to be moderate. The reduction in retail trade experienced in the last half of 1990 is expected to continue into the first two quarters of 1991. Increased consumer confidence in the latter part of the year will pull the economy into a recovery period.

## Real Gross Domestic Product % Change PRINCE EDWARD ISLAND



SOURCE: Conference Board.  
CMHC: Forecast.

The service sector will be significantly influenced by the recession in 1991. The combination of the goods and services tax(GST), reduced consumer and business demand, and restrained government spending will cause this sector to contract. Tourism will be particularly affected but the 1991 Canada Winter Games will offset some of the impact. The benefits from the Games are expected to be concentrated in the Charlottetown area.

Increased potato processing capacity and continued emphasis in food processing will lead the manufacturing industries. The building of the federal plant pathology laboratory (1991), the GST complex (1991-92), school renovations and expansions (1991), and commercial building will cause non-residential construction to be strong.

The labour force and employment levels are projected to decrease slightly in 1991 by 0.9 and 0.5 per cent respectively. This will be the first decline in these figures since the 1981-82 recession. The larger relative drop in the labour force will reduce the unemployment rate from 14.9 per cent in 1990 to 14.7 per cent in 1991.

Reduced economic activity and the movement of military personnel from CFB Summerside will cause the recent trend of positive net migration to reverse. Net migration for 1990 is estimated at a loss of 940 people. The outmigration is expected to peak at 1,220 in 1991.

Economic growth will recover somewhat in 1992 to 1.5 per cent. Although this represents an improvement over 1990 and 1991, it is considerably below the levels of growth experienced between 1983 and 1989. Increased expenditures by governments and consumers will help to fuel a recovery. Familiarity with the GST and trading agreements will reduce uncertainty in the PEI economy.

Net migration in 1992 will be an outflow of 320 people from the province. The majority of military personnel from CFB Summerside will have already been moved. The completion of the base closure will occur in 1992 but the recovering economy will help reduce outmigration.

The labour force will experience a very slight decline of 0.6 per cent in 1992. Reduced activity in the service industries will affect seasonal employment oppor-

tunities and discourage some from remaining in the labour force. Total employment levels are projected to be maintained at the 55,000 level. The unemployment rate will fall to 14.1 per cent as a result of the reduced labour force, and stable employment.

The fishing industry is not expected to show any growth over the forecast period. Segments of the fishing sector, like aquaculture, will continue to expand. This will be offset by a reduced catch of groundfish and relatively low lobster prices. Income from fishing will be constrained throughout 1991 and 1992. The 1991 and 1992 forecasts assume that there will not be any construction activity on a fixed link between the Island and New Brunswick.

### Housing Market

Housing starts are forecast to decline in 1991 by 34 per cent to 500 from 762 in 1990. Improved mortgage rates will not be significant enough to counter the reduced demand for housing due to high levels of out-migration and unemployment. Multiple unit starts are expected to fall dramatically to 125, a decline of 55 per cent. There will be an increase in the rental stock for Charlottetown in 1991 resulting in a 6.0 per cent vacancy rate in April and 4.3 per cent in October.

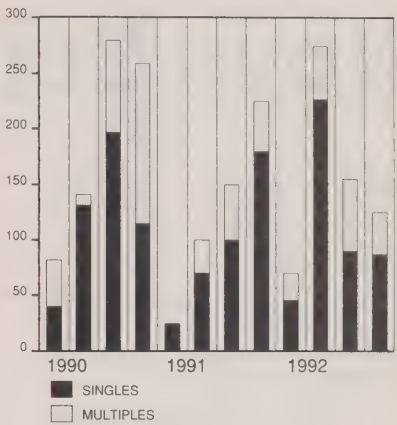
Single-detached unit starts are forecast to drop to 375 in 1991 from 483 in 1990 for a decline of 22 per cent. The move-up market will remain strong but potential first-time home buyers will wait for signs of improving economic conditions.

MLS sales will increase by 11 per cent to 825 units. Sales activity will remain above traditional levels in Summerside due to the closure of the base. The average MLS selling price will also increase by 4 per cent after the decline experienced in 1990.

Improved economic growth in 1992 will result in increased housing starts. Reduced out-migration and unemployment levels along with stable interest rates will release pent-up demand for first-time home buyers. Single-detached units will increase by 20 per cent to 450. This level of starts is close to the average experienced in the 1980's.

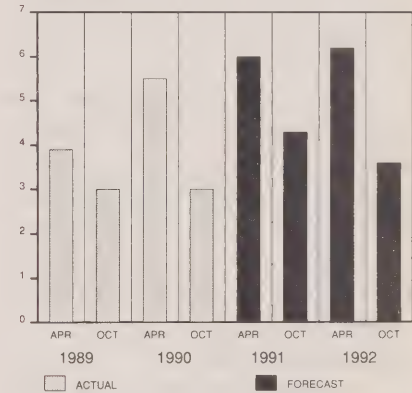
The increased stock of apartment units in Charlottetown will keep new construc-

**Housing Starts  
Units (Qtrly)  
PRINCE EDWARD ISLAND**



SOURCE: CMHC.

**Charlottetown Vacancy Rate  
(3 units or more, privately initiated)  
Percent**



SOURCE: CMHC.

tion at relatively low levels. Multiple unit starts for 1992 are forecast to increase over 1991 by 40 per cent to 175 units. As potential home owners move out of rental accommodations, there will be upward pressure on the vacancy rates. The continuation of net out-migration (though reduced from 1990 and 1991 levels) from the province will reduce demand for apartments.

MLS will continue to grow in popularity and thus increase the total sales transactions under the service. Sales by MLS are forecast to increase by three per cent to 850 units in 1992. ■



# Nova Scotia



## Housing Market Review – 1990

The residential construction industry in Nova Scotia turned in a solid performance in 1990. A total of 5,560 new homes were started, which is up 3.8 per cent over the previous year. From a historical perspective, the level of starts in 1990 is slightly larger than the average number of starts over the past ten years, from a high of 7,571 starts in 1986, at the height of the building boom, to a low of 3,691 starts in 1982, during a recession.

Although urban residential construction declined by six per cent in 1990, rural construction activity was exceptional, growing by 29.7 per cent. Single home construction in the province grew by 8.3 per cent, reflecting demographic changes, pent-up demand for new homes in rural areas, and increased numbers of buyers moving-up into larger and better quality homes.

The existing home market remained strong, with the number of homes traded increasing by about eight per cent in 1990. However, competition for buyers kept prices down to around one per cent growth, substantially less than the annual rate of inflation. In a similar vane, competition for renters has also been strong, and consequently, rent increases small. For example, in Halifax Metro, rate increases averaged about 2.5 per cent in 1990.

## 1991-92 OUTLOOK

### Economy

Nova Scotia escaped the ill effects of a Canadian recession for most of 1990. However, the recession spilled over to Nova

Scotia in the last quarter of the year, and is forecast to continue throughout most of 1991. As the recession in the province deepens, economic growth is estimated to moderate from one per cent in 1990 to 0.8 per cent in 1991. The economy is estimated to start a slow recovery in 1992, with a growth rate of two per cent.

With the exception of construction industry activity, goods producing industries performed poorly in 1990, losing in total around 4,000 jobs. In general, the goods producing industries are intricately linked in Nova Scotia, with manufacturing and construction built-up around activities in the primary sector (i.e., fishing, forestry, mining, and agriculture). Consequently, the goods producing industries tend to grow and contract together. A relatively high value for the Canadian dollar and weak demand and prices for provincial exports will depress goods producing industries in 1991 and 1992.

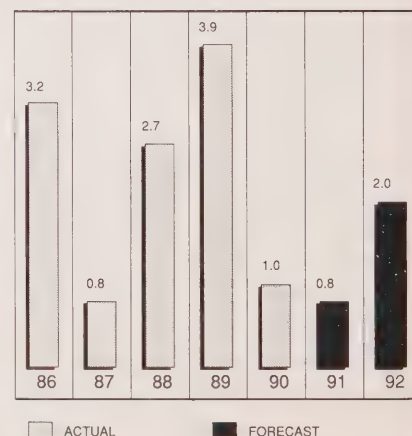
On a brighter note, several factors will help counter the recessionary impacts on goods producers in the near term, such as the opening of a low-sulfur coal mine, which will supply the Nova Scotia Power Corporation's expansionary needs and the two-year development phase of the Cohasset and Panuke offshore oilfields.

The construction industry has helped buoy the economy in 1990, with non-residential construction growth at around 12 per cent and new home construction growth ahead 3.8 per cent over the previous year. The continuation of a large number of non-residential construction projects in 1991 will help carry the construction industry through the recession.

The service sector has been a major source of stability, cushioning the economy from recession in 1990. Services constitute the largest sector of the economy, accounting for over 75 per cent of provincial employment. This sector managed to turn in a mixed performance in 1990, in part because of its diversity, but also because services are the last link in the economic chain to be affected by economic downturns. However, the expansion of the sales tax base into services will adversely impact the service sector relative to manufactured goods.

Transportation, communication and utilities industries showed modest growth that will continue into 1992. Factors that will contribute to growth in 1991-1992 are strong Port of Halifax activity, increased power demand, and capital investment, for example, the twining of the Trans-Canada

## Real Gross Domestic Product % Change NOVA SCOTIA



SOURCE: Conference Board.  
CMHC: Forecast.

highway, the construction of Trenton No. 6 and Point Aconi power plants, and the Maritime Telephone and Telegraph multi-year modernization program.

Tourism related industries suffered a significant drop in activity in 1990, and will not likely recover so long as recessionary fears keep tourists at home or on cheaper vacations elsewhere.

Trade activity in 1990 managed to keep pace with the previous year's sales performance until the end of the year. Deep discounting, amid a rash of distress sales and store closures at Christmas time (the most profitable season), points towards a major shaking-out of trade businesses in 1991.

The continued efforts of governments to restrain budgets, cut employment, shift expense burdens, reduce transfer payments and increase taxes has the effect of lowering individual disposable incomes in Nova Scotia. This trend contributes directly to the recession, and indirectly to a recessionary psychology that impacts on the demand for consumer goods and services.

An economic slowdown in Nova Scotia is expected to stymie job creation from 1.5 per cent growth in 1990 to -0.8 and 1.9 per cent in 1991 and 1992, respectively. The labour force will continue to grow in part out of householders' need to maintain their standard of living. An increase in the size of the labour force coupled with employment losses will result in the unemployment rate increasing from 10.6 per cent in 1990 to 11.5 per cent in 1991, and 11.1 per cent in 1992.

Net migration patterns in Nova Scotia will change in 1991 and 1992, as the youth in the province move to wherever their best employment prospects are, and unemployed expatriates return to Nova Scotia to the comfort of their home communities, whether or not they have employment prospects. While many individuals will move out-of-province to find employment, many rural Nova Scotians will move, seeking opportunities in the larger cities, particularly in Metro Halifax. The forecast for provincial net migration is for a loss of 100 people in 1990 and an addition of 300 in 1991 and 700 in 1992.

### Housing Market

The demand for housing in Nova Scotia will continue to soften in 1991, after a short

reprieve in 1991. Provincial housing starts are forecast to decline 17 per cent to 4,600 in 1991, as the economic recession takes its toll on consumer and investor confidence. The economy is forecast to emerge from the recession in the latter half of 1991, stimulating a small recovery in home construction. Starts activity is forecast to pick-up in 1992, to 5,100 units.

Metropolitan Halifax will lead the province in residential construction activity, as the strong government-dominated service sector will remain relatively stable. Net immigration, particularly in the Metro area, will continue to help prop-up demand for housing.

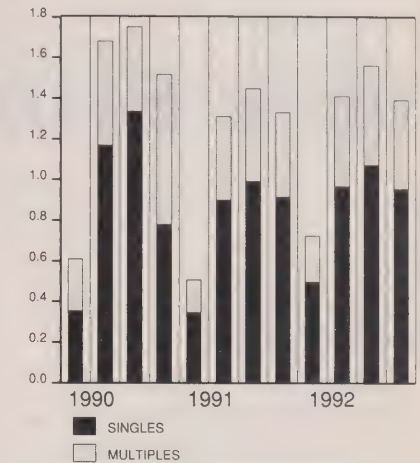
Despite declining mortgage rates and the demand for housing from first-time and move-up buyers, single starts are forecast to decline 13 per cent to 3,200 in 1991. Although mortgage rates are expected by most forecasters to fall to around 10.5 per cent in 1991, local employment losses and recessionary fears will curb home construction.

Sales of existing homes through the Multiple Listing Service (MLS) will be similarly impacted, with a decline in sales of 11 per cent to 5,400 units in 1991. MLS sales are forecast to decline a further two per cent in 1992, reflecting poor economic and employment growth in the provincial economy. The prevailing level of demand for houses in Nova Scotia will help to maintain home prices, with the average price of a home increasing by three per cent to \$87,300 in 1991, and by almost five per cent in 1992.

Multiple starts are forecast to be weak in 1991 and 1992 for several reasons, including oversupplied rental markets, lower demand for semi-attached dwellings and condos, and tighter financial markets diminishing their attractiveness. Multiple starts are forecast to decline by 25 per cent to 1,400 units in 1991, before recovering to 1,600 in 1992.

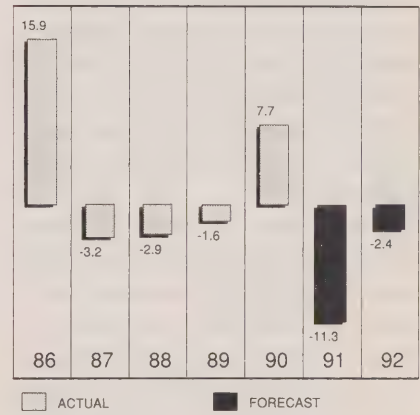
The rental market situation in Metro Halifax remained slightly oversupplied, with the vacancy rate at 3.6 per cent, according to the October 1990 CMHC Rental Market Survey. The oversupply situation is expected to continue over the 1991 to 1992 forecast period for two main reasons, firstly, there were approximately 1,000 new

**Housing Starts**  
**Units Thousands (Qtrly)**  
**NOVA SCOTIA**



SOURCE: CMHC.

**Residential MLS Sales**  
**% Change**  
**NOVA SCOTIA**



SOURCE: CREAA.  
CMHC: Forecast.

apartment units under construction in Nova Scotia at the end of 1990 that will be put on the rental market in 1991; secondly, the weakening Canadian and Provincial economies will discourage potential first-time home buyers from moving out of their apartments, and will also generate an influx of people looking for employment and accommodations in the Metro area. The forecast vacancy rate for October 1991 is 3.6 per cent, followed by 3.4 per cent in 1992. ■



# New Brunswick



## Housing Market Review – 1990

The New Brunswick housing market weakened in 1990 as a result of high interest rates and low consumer confidence. Total housing starts decreased by 27 per cent from 3,681 units in 1989 to 2,683 units last year. Over the same period of time single family starts declined by 27 per cent to 2,137 units while multiple unit starts fell by 29 per cent to 546 units. The decline in housing starts was most pronounced in the northern and central areas of the Province. Saint John and Moncton, the two largest urban centers, however, bucked this trend by posting moderate year over year growth in residential construction.

The low level of multiple unit construction was a direct result of rising mortgage rates and rental market conditions. The average vacancy rate for the six major urban centers which stood at 4.2 per cent in the spring declined to 3.2 per cent by October. Although the vacancy rate in the Saint John area moved up to 4.1 per cent this past fall, the number of units available for rent declined in both the Moncton and Fredericton markets. The vacancy rate in the Fredericton area actually fell below the one per cent level. Growth of rental charges closely tracked the overall inflation rate in 1990 and increased by 4.5 per cent.

Rising mortgage rates and the slowing economy also had a dampening effect on the resale market. Sales through the Multiple Listing Service which totalled 3,490 in 1989, dropped five per cent to 3,316 over the past year. The number of units on the market continued to grow throughout 1990, closing out the year up 13 per cent from the opening inventory of 2,272 units. The net

result of this increasing supply during a period of falling demand was reduced upward pressure on prices. The average price of houses sold through the MLS during 1990 reached \$77,752 up only 2.5 per cent over the 1989 figure of \$75,848.

The greatest decrease in resale market activity was in the northern parts of New Brunswick where long standing labour disputes have weakened the local economy. The larger urban areas of Moncton, Fredericton and Saint John which are currently classified as buyers markets however, experienced only modest declines in sales volumes.

## 1991-92 OUTLOOK

### Economy

The resource based economy of New Brunswick is forecast to outperform the nation by posting real gross domestic product growth of 1.9 per cent in 1990. During 1991 provincial output is expected to decline to 1.8 per cent but will recover slightly in 1992. The expanding manufacturing and service industries which have helped to diversify the province's economy will continue to act as a stabilizing force in the economy over this period.

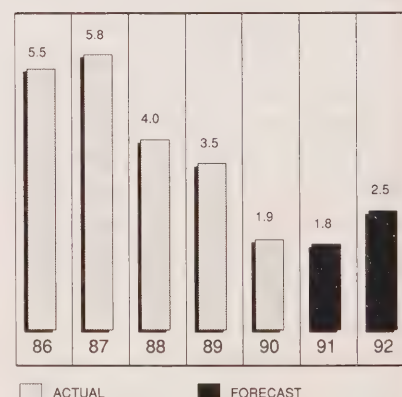
The agricultural sector, led by the potato industry, is expected to produce a good crop despite drought and floods earlier in 1990. Cash receipts for this industry in 1990 will exceed the \$267.3 million posted in 1989, but continue to face stiff competition from the United States and other Canadian Provinces. The additional potato processing capacity planned by both Cavenish Farms and McCain will drive up the province's exports of potatoes over the next

few years and set the stage for good growth in this industry over the outlook period.

Forestry will trend downwards during 1991 as a result of labour unrest, a continuing strong Canadian dollar and declining international prices for pulp and paper products. Lumber inventories will also remain high in 1991 due to weak housing starts in the North Eastern United States. The recovery of the forestry sector over the intermediate term may also be dampened by new federal environmental laws and import restrictions by the European community.

Mining, one of the province's main employers is forecast to receive mixed reviews over the outlook period. Soft international markets for zinc and lead as well as labour unrest during 1990 resulted in mine closures and lower mineral production levels. On the bright side, the recently re-opened Health Steele Mine is experiencing higher than expected production levels. Strong international market prices for

**Real Gross Domestic Product  
% Change  
NEW BRUNSWICK**



SOURCE: Conference Board.  
CMHC: Forecast.

potash will continue to sustain industry operations over the forecast period. In the long term however reduced tax incentives for mineral exploration will likely weaken the mining industry.

The fisheries industry will continue to experience problems as a result of depleted stocks and weak prices. Increased lobster landings will further depress prices as fishmongers compete with last year's frozen stock. The crab industry which is currently facing difficulties caused by low stocks, will continue to experience a shrinking market share as a result of artificial crab meat. The aquaculture industry which has recently achieved a degree of success will increasingly have to cope with stiff international competition.

The manufacturing sector will be led by the \$6 billion Canadian Frigate Program and the paper and allied product industry. Light processing of food products, fabricated metal, furniture and publishing will account for the rest of the growth in this industry.

The non residential construction industry maintained a moderate level of growth in 1990 and is expected to sustain this momentum over the outlook period. The continuing \$965 million Belledune Power Plant and the \$550 million which is being spent to upgrade the provincial telephone system will be the source of growth in this sector. In 1991 highway expansions and other mid-sized projects will also contribute to growth in this sector. The magnitude of these public projects, however, tends to mask an overall weakness in this sector.

The service sector is very important to the New Brunswick economy as it employs 7 out of 10 people in the province. This sector, which displayed moderate growth during 1990, will decline slightly during the opening quarters of 1991. Growth in this sector vis-a-vis the goods producing sector will also likely decline as a result of the recently imposed Goods and Services Tax. As the national economy proceeds through its recovery phase so will the health of this sector. Significant segments within this sector are the trade, community business and personal service industries which account for 45 per cent of total employment.

The retail segment which experienced good growth in 1990 is expected to trend downwards in 1991. The slowdown will be

a result of declining automotive and household appliance sales as customers remain cautious. Over the forecast period this sector will improve as consumers adjust to the GST and the economy rebounds.

Overall employment levels which stood at 291,000 in 1990 are forecast to decline by 1.4 per cent or 4,000 jobs in 1991. Employment levels will recover to the 293,000 level in 1992. Part-time employment which accounted for 15 per cent of total employment in 1989 is forecast to continue growing with the changing structure of the job market. The unemployment rate is forecast to increase in 1991 to 14.8 per cent before leveling off at 14.1 per cent in 1992.

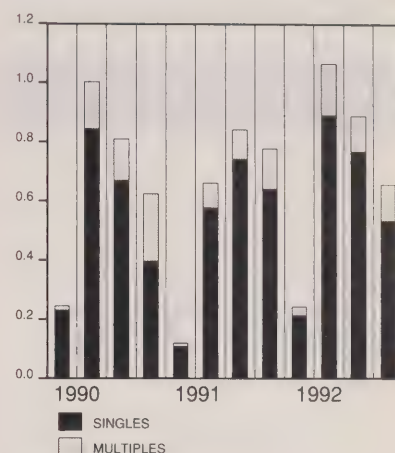
The net out-migration trend experienced in 1990 will be reversed in 1991. This will occur as a result of declining job opportunities in central Canada. A positive annual immigration of 950 is forecast for New Brunswick during 1991.

## Housing Market

The New Brunswick housing market is forecast to witness a decline in activity in 1991 but display modest recovery in 1992. A shrinking national economy, low levels of consumer confidence and marginal net in-migration will result in a downward trend in activity levels throughout the province. Total housing starts will drop 10.5 per cent to 2400 units in 1991 while sales volumes in the resale market will decline by approximately five per cent.

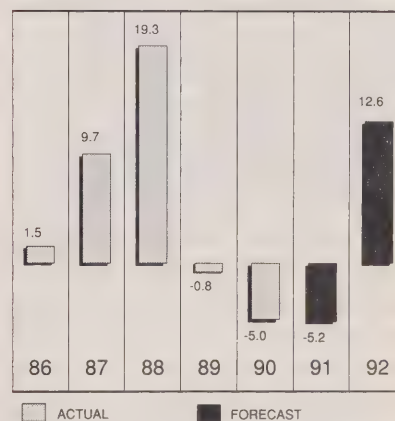
The downturn in new residential construction will be led by a 40 per cent decline in multiple unit starts in 1991. Multiple starts which reached 546 units in 1990 will drop to the 330 unit level this year. With the average provincial vacancy rate at 3.2, it will be recent high mortgage rates and eroded investor confidence which will lead to this forecast reduction in activity. Although both the singles and multiples market react positively to declining mortgage rates, the multiples market is slower to respond. The single family market will not however be as affected by the economic downturn. Declining consumer confidence will result in a lower level of construction activity during the opening quarter, yet falling mortgage rates during the spring and summer months are

## Housing Starts Units Thousands (Qtrly) NEW BRUNSWICK



SOURCE: CMHC.

## Residential MLS Sales % Change NEW BRUNSWICK



SOURCE: CREA.  
CMHC: Forecast.

expected to stimulate demand. Production levels in this market segment which reached 2137 units in 1990 will dip to the 2070 mark this year before recovering to the 2400 unit level in 1992.

The resale market will also lose some momentum during 1991. Sales volumes which were down approximately five per cent in 1990 are expected to continue this trend and lose an additional five per cent in 1991. Annual sales which peaked at 3,518 units in 1988 have since been declining. Sales volumes which will fall to the 3,145



mark in 1991 however are expected to rebound to near the 1988 level in 1992.

The supply of units on the market at year end in 1990 was up 13 per cent to approximately 2600 units. This over supplied

condition which is expected to continue during the year, will keep price increases in both the new and existing markets at modest levels. The average MLS price of units sold during 1991 is forecast to move

up by 3.7 per cent to \$80,600. With the expected improvement in the economy in 1992, housing prices are expected to move ahead by an additional five per cent. ■

## PROVINCIAL HOUSING OUTLOOKS

# Québec



## Housing Market Review – 1990

In spite of a sharp decrease during the second half of the year, on the whole, the housing market experienced a relatively good year in 1990. The total number of housing starts (48,070) was only two per cent lower than that for the preceding year, and still remained above the average of the past ten years (45,400).

A record level of net migration, together with a relatively strong labour market, anticipatory demand prior to the GST, as well as the continued confidence of investors in the real estate market were the main factors which contributed to this good performance.

Supported by strong demand from first-time buyers, single-family housing starts for 1990 totalled 24,942, an increase of 1.8 per cent compared to 1989. Many young households with children bought their first house early in the Spring in order to benefit from the Provincial Downpayment Assistance Program which will be phased out in May 1991, and at the same time avoided the GST. Over 55 per cent of the new houses sold in 1990 were priced below \$100,000, whereas houses over \$200,000 only represented five per cent of the market.

The strong demand for new houses in the Spring generated sustained optimism among builders, in spite of the high inven-

tory of new unsold units. At the end of 1990, there were more than 2,600 new vacant houses in the large urban centres in Quebec. This is more than twice the number in 1987.

The resale market also benefited from the trend towards homeownership in the Spring. For the first six months of 1990, in spite of increased interest rates, the number of MLS sales was 4.3 per cent above that for the preceding year, whereas the average price increased by 1.7 per cent. However, the market rapidly deteriorated during the second half, to end the year with a total volume of MLS sales of 27,999, an 8.6 per cent decrease compared to the 1989 volume. The average price, however, levelled off at \$100,950.

Moreover, the movement toward homeownership, combined with a deterioration in the labour market for young workers 25 years old and less, considerably reduced the demand for rental units. In fact, in spite of a decrease of 20 per cent in the number of rental housing starts in 1990, the vacancy rate increased by 0.7 per cent to 5.7 per cent in October 1990. Rents increased at a slower pace (2.7 per cent) than the inflation rate.

The strong tendency towards homeownership in the Spring did not seem to affect the new condominium market, a large proportion of which is made up of luxury units. Starts decreased by

26 per cent to 3,450 in 1990, whereas the end of the year inventory of unsold units was still in excess of 2,500 units.

## 1991-92 OUTLOOK

### Economy

The recession which Quebec has experienced since the Spring of 1990 will likely worsen during the first few months of 1991 and bottom out in the summer. A slight upturn, however, is forecast for 1992, as consumer confidence returns and exports increase. The "Programme provincial de relance économique" (provincial economic recovery plan) recently announced should at least ease this economic slowdown, if not contribute to the upturn. The gross domestic product (GDP) growth in Quebec, which reached 0.7 per cent in 1990 will fall to -0.4 per cent in 1991 and bounce back to two per cent in 1992.

The manufacturing sector, which accounts for 20 per cent of the GDP for the province, will continue to experience difficulties in 1991. The provincial sales tax, applied for the first time to clothes, footwear and furniture will also contribute to slowing down the manufacturing sector. Moreover, the softening of the American economy and the strong Canadian dollar will limit exports of Quebec manufactured

products. No recovery is forecast in this sector before 1992.

On the other hand, the service sector should experience a slight upturn this summer, as the economic spin-off effects of the James Bay Phase II construction work and the aluminum works start to be felt. The non-residential construction sector will remain very strong.

Consumers will be the key to growth in 1991 and 1992. The relatively low growth in disposable income, the federal and provincial GST, the increase in unemployment and in the cost of living, as well as the high level of debt of Quebecers in general will induce consumers to be cautious and will limit their expenses in 1991. Their confidence should return in 1992 as interest rates decrease and real disposable income increases.

The labour market which remained relatively stable in 1990, thanks to the service sector, should become tighter early in 1991. The loss of 25,000 jobs is forecast in 1991. However, an upturn in economic activity should generate 40,000 new jobs in 1992. The low level of job creation, combined with a sustained increase in the labour force, will push the unemployment rate to 12.1 per cent in 1991, compared to 10.1 per cent in 1990. In 1992, the unemployment rate should decrease to 11.7 per cent.

The net migration is projected to decrease in 1991 and 1992. After having

peaked at 25,000 in 1990, the net migration will decrease to 22,000 and 17,600 for the next two years. In spite of an increase in international immigration quotas, the high rate of unemployment will reduce the migratory flow towards Quebec, both on an interprovincial as well as an international level. The strong economic growth of the western provinces will attract a growing number of Quebecers in search of employment.

## Housing Market

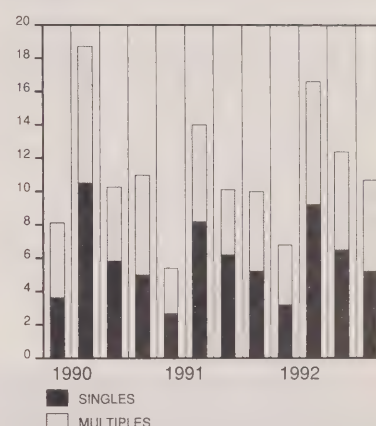
In spite of a weak economy, the housing market in Quebec should start to recover as early as the summer of 1991 because of the constant decrease in interest rates, as well as the new provincial residential construction program and renewed confidence by Quebec consumers. The number of housing starts should bottom out at 39,500 in 1991 and rebound to 46,500 in 1992.

The market recovery will begin by a strengthening of the resale market as early as the Spring of 1991. Since existing properties are not subject to the GST, sales should experience an upturn with the decrease in interest rates. The volume of MLS sales, which had fallen sharply during the second half of 1990 will increase by 6.8 per cent to 29,900 in 1991 and subsequently by seven per cent in 1992 to reach 32,000. In spite of improvements in sales, the high level of existing properties on the market means that the market will remain a buyers' market for a good part of 1991. The market should return to a balanced position by Fall. The average value of transactions, after having stabilized around \$100,900 in 1990, should increase by three per cent and seven per cent in 1991 and 1992 respectively.

The upturn in the resale market will make it possible for numerous homeowners, who are not buying new houses because of the GST, to return to the new housing market under the provincial construction program which provides rebates on interest rates and is applicable to all new houses built between January and December 1991. Single-family construction which will have a slow start in 1991 will pick up during the second half of the year, as consumer confidence returns and the stock of new vacant houses is absorbed.

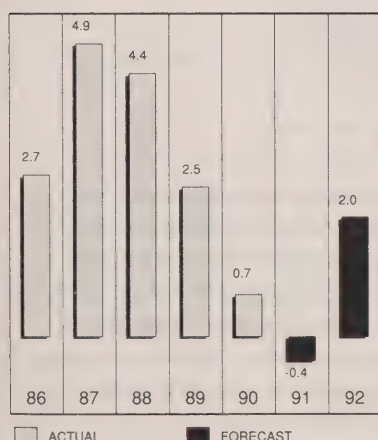
The absorption of 1990 new housing stock is facilitated by price reductions being offered actually by almost all building contractors in the province. This upturn however will not be sufficient to compensate for the slump at the beginning of the year. The number of housing starts will drop by 10 per cent to reach 22,300 units in 1991, before experiencing an eight per cent increase (24,100) in 1992. This improvement would be higher if there were no provincial GST which is applicable for the first time to residential construction in 1992.

**Housing Starts**  
**Units Thousands (Qtrly)**  
**QUÉBEC**



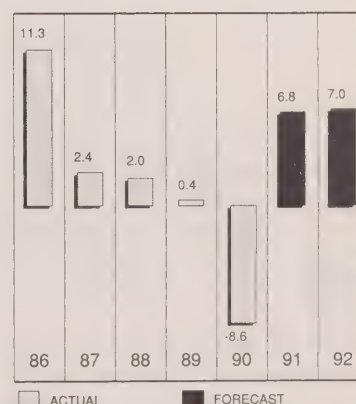
SOURCE: CMHC.

**Real Gross Domestic Product**  
**% Change**  
**QUÉBEC**



SOURCE: Conference Board.  
CMHC: Forecast.

**Residential MLS Sales**  
**% Change**  
**QUÉBEC**



SOURCE: CREA.  
CMHC: Forecast.



The upturn in single-family construction will be accompanied by a return of moveup purchasers and of more expensive properties. Competition from existing properties and new unsold units in 1990 will mean that the price increases for new houses will be below the inflation rate in 1991. Price increases are forecast at four per cent in 1991 and six per cent in 1992.

As for the rental market, it will continue to be saturated in 1991 and in 1992. In spite of a decrease in the construction of new rental units in the past few years, decreased employment for young workers, the continued trend towards homeownership and the arrival of a large number of residences for the elderly on the market will continue to drain the tenant pool and to reduce the demand for rental units. At the end of December 1990, there were still over 3,500 new vacant units. As a result, investors will be more cautious and will reduce by 32 per cent the number of rental housing starts (11,600) in 1991. In 1992, the number of starts should increase to 14,500 units.

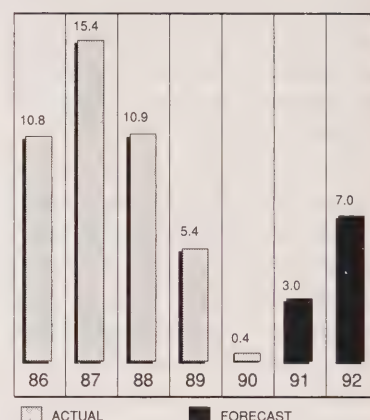
However, the vacancy rate, which peaked at 5.7 per cent in October 1990 should decrease gradually to 4.7 per cent in the Fall of 1992. In the context of the present housing surplus, the average rent increases will be limited to three per cent in 1991 and to five per cent in 1992.

Undoubtedly the segment of the rental market most affected by the decrease in construction in 1991 will be that of the luxury residences for the elderly. Over the past few years, this market represented a favorite target group for many investors and promoters. In the Fall of 1990, this market was facing high vacancy rates: 16 per cent for the room and board segment.

As for the condominium market, it will remain in an unbalanced position in 1991 and 1992. Faced with increased competition from existing condominiums and single-family houses, the absorption rate of unsold 1990 stock will remain low, especially since these units are not eligible under provincial residential construction program. The stock of new vacant condominiums, which was close to 2,500 units at the end of December 1990 should be absorbed gradually dipping to 1,500 unoccupied units at the end of 1992.

The high level of inventories will lead to a 16 per cent decrease in the number of housing starts (2,900 units), for condominiums in 1991. A good proportion of these units will be built in the third quarter before the expiry of the provincial residential program at the end of September. For 1992, 5,000 new condominium units are expected to be started as the inventories of the unsold units are absorbed.

## Residential MLS Average Price % Change QUÉBEC



SOURCE: CREA.  
CMHC: Forecast

In conclusion, in spite of a major slump in the housing market, which is expected for the first six months in 1991, a slight recovery is expected during the second half. This recovery will continue in 1992 as the economy picks up and as consumer confidence rises once again. ■

## PROVINCIAL HOUSING OUTLOOKS

# Ontario

## Housing Market Review – 1990

Housing starts in Ontario, which have been moderating since the 1987 high of 105,213 starts, took a sharp drop in 1990 ending the year at 62,649 starts, down a record 33 per cent from last year. The drop in 1990 was initially in response to higher interest rates, but job insecurity sent consumer con-

fidence plunging and housing activity fell steadily throughout the year. Fourth quarter starts on a seasonally adjusted annual basis, fell to 45,000 dwellings. Adjusting for seasonality, the drop in the fourth quarter was the eighth consecutive quarterly decline in this housing market.

The slowdown in the housing market has been due to the decline in the number

of move up purchasers. This has affected both the new and resale market. Baby boomers are at the age when they are increasing their housing consumption. The very significant increase in housing demand since the last recession has been coming from this group as they move up to more expensive homes. Because the stock of resale homes does not match the require-

ments of this move-up buyer, a high proportion of new homes have been built for this group in recent years. The pricing structure of residential development, including profit margins, land, labour and material costs, has reflected the increase in demand, especially for more expensive housing. Adjustment by the building industry, to producing more affordable housing in this recessionary period, has been hampered by high land costs. Furthermore, the rise in house prices in the new and resale markets as a result of strong demand, has outpaced income growth and made housing less affordable to first-time purchasers in most markets. Potential move-up buyers, unable to sell to first-time buyers and ultimately to other move-up purchasers, left the market in significant numbers, especially in the second half of the year.

The rental market also began to soften in 1990. Rental vacancies in privately owned apartments began to increase. This was due to competition from investor owned homeownership units, especially condominium units, offered for rent; the population decline among younger age groups, who tend to rent; and continued out migration to other provinces.

The downward trend in house construction is most evident when comparing the annual change in quarterly housing starts. First quarter 1990 actual starts were down 19 per cent from the 1989 first quarter, the second quarter was down 29 per cent from the second quarter 1989, the third was down 33 per cent and the final quarter was down 51 per cent. First quarter starts were sustained mainly by continuing higher levels of construction activity outside of Toronto. Cooling of Toronto's torrid housing market led to a steep decline in starts. The 47 per cent year over year decline in Toronto starts began in the first quarter reflecting the drop in new home sales reported last year. Outside of the Toronto CMA, total starts began to decline late in the second quarter and ended the year down 24 per cent from the previous year. The notable exceptions were Sudbury, up nine per cent with a record high year, and Thunder Bay which posted a 23 per cent increase in home building.

Single starts took the sharpest decline, down 39 per cent compared to multiples

which were down 24 per cent. Single starts in the Toronto CMA were down 57 per cent from 1989 levels while the rest of Ontario was down 31 per cent. Multiple starts were down 38 per cent in the Toronto CMA and 12 per cent in the rest of Ontario, although multiple starts were bolstered by a 48 per cent increase in socially assisted housing starts. This increase level of assisted starts was due to 3441 provincial unilaterally assisted units of which 3413 units were multiples. Condominium starts in Toronto halted in the second quarter with some 50 projects now on hold in response to few sales. Inventories of completed and unoccupied singles and multiples in the province are minimal. At year end, there was a two month supply of multiple units and a one month supply of single detached units. The oversupply mainly consists of units sold to investors who are now finding it difficult to rent, especially at rent levels anticipated at the time of purchase. Further adding to the supply difficulties will be the 15,000 condominium units under construction at yearend, half of which are forecast to be sold or rented at completion.

In the resale market, sales of existing MLS units last year declined by a further 28 per cent to 102,728 following the 11.0 per cent decline a year earlier. Declines in resale volumes occurred in all CMAs in Ontario as demand weakened in response to higher interest rates. Above average declines occurred in Hamilton at 58 per cent, Kitchener/Waterloo at 48 per cent, Toronto at 31 per cent and St. Catharines also at 31 per cent.

The average price of MLS units in Ontario dropped five per cent to \$175,929 following a 15 per cent increase from a year earlier. The decline in the volume of sales and prices in Toronto, where prices were very high, pulled down the provincial average price. In the rest of Ontario, the average price fell by only half of one per cent. Actual prices fell further than the average MLS price indicates. The economic slowdown caused many sellers to shift from exclusive listings to MLS. This has, to some extent, masked the decline in house prices as these homes tend to be more expensive and their inclusion in the

average MLS price tends to distort it upwards.

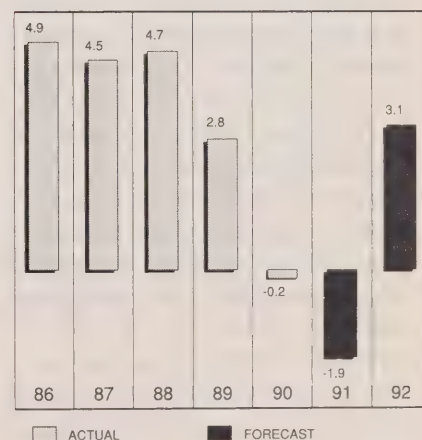
## 1991-92 OUTLOOK

### Economy

The Ontario economy slipped into recession in the third quarter of 1990. By yearend, the economy will have declined by a modest 0.2 per cent, as measured by real growth in GDP at factor cost. The decline is expected to last five quarters. The sharpest quarterly decline is expected in the first quarter of this year, with positive growth not occurring until the fourth quarter of 1991. Declining real aggregate expenditures in investment and reduced levels of exports and consumer spending have combined to produce the current recession. The hardest hit sectors in the Ontario economy in 1990 were utilities, construction, manufacturing and mining. The hardest hit industries in the manufacturing sector were textiles, steel, electrical and motor vehicles. With the high interest rate spread between Canada and the U.S., the resulting strong Canadian dollar, and the U.S. economy slipping into recession, export markets will remain weak for manufactured goods and the slowdown will deepen in the mining and manufacturing sectors during the first half of 1991.

Provincial government spending will aid Ontario's economy in the second quarter, but will be limited due to the

### Real Gross Domestic Product % Change ONTARIO

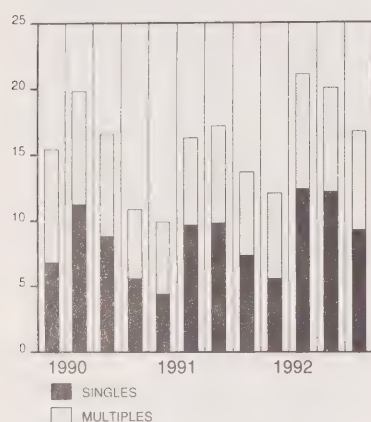


SOURCE: Conference Board.  
CMHC: Forecast.



provincial deficit. A U.S. recovery in the second half of 1991 will help to restore Ontario export sectors. Starting in 1991, the manufacturing sector will benefit from the replacement of the manufacturing sales tax by the goods and services tax (GST), although activity in the service sector will be dampened. The drop in Canadian interest rates, especially in real terms, will add to

### Housing Starts Units Thousands (Qtrly) ONTARIO



SOURCE: CMHC.

the recovery in late 1991 by encouraging investment. GDP is forecast to decline a further 1.9 per cent in 1991 before turning positive at 3.1 per cent in 1992.

Labour force growth was one per cent in 1990. The drop in the participation rate during the recession will be offset by continued strong international immigration. As a result, growth in the labour force is projected at 0.3 per cent in 1991 and will grow at 1.4 per cent in 1992 as migration continues to be positive and the participation rate begins to rise.

The decline in construction and in manufacturing will continue to hamper growth especially in early 1991. Vacancy rates in commercial properties are high and some overhang still exists in the residential condominium market. Total manufacturing shipments were down by more than four per cent in 1990. The service sector has been impacted by the declines in retail and wholesale activities which will be further affected by declines in real disposable in-

come, as a result of higher inflation and lower wage settlements.

Employment growth, at negative 0.3 per cent in 1990, will decline by a further 1.9 per cent in 1991 before rebounding by 1.6 per cent in 1992. As a result, the unemployment rate, which has been rising since 1988, is expected to average 6.3 per cent in 1990 before peaking at 8.3 per cent in 1991 and then subsiding modestly to 8.2 per cent in 1992.

Inflation, as measured by growth in the Ontario consumer price index, has been moving downward recently, due to the slowing economy and is now estimated at 4.5 per cent for 1990. It is forecast to increase to 5.8 per cent in 1991 as the GST impact is absorbed in a weakened economy, before falling to 4.4 per cent in 1992. This assumes that the crisis in the Persian Gulf will not affect oil prices significantly.

Total net international migration to Ontario has been increasing since 1985, when 17,570 persons came to the province. Last year, net international migrants to Ontario reached an estimated 96,200. Net international migration is forecast to reach 101,000 in 1991 and 110,000 in 1992 as the affects of the new higher quotas are achieved and as refugee claimants receive landed immigrant status and appear in the statistics.

Net interprovincial migration peaked in 1986 at 43,000 and has steadily declined since that time. Interprovincial migration turned negative in 1989 and is estimated at negative 9,770 in 1990, and negative 12,000 in 1991 before turning slightly positive in 1992 at 4,000 persons. The outflows of migrants to Alberta and British Columbia will be added to the flow of persons returning to the Atlantic provinces where the cost of living is lower. Total net migration, which was 86,430 in 1990 will rise to 89,000 in 1991 and 114,000 in 1992.

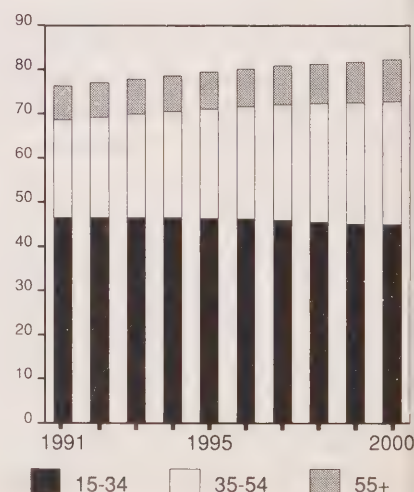
### Housing Market

Housing starts in the first two quarters of 1991 will continue to be weak, due to reduced employment and consumer confidence. Improved affordability, resulting from declining interest rates and lower house prices, and an improvement in con-

sumer confidence due to stabilizing employment, should induce a modest recovery in housing by the second half of the year. This will result in a further year over year drop in housing starts of nine per cent to 57,000 units. Housing starts will recover 23 per cent in 1992 to 70,000 units as the economy strengthens. By the end of 1992, housing starts will still be below provincial housing requirements for the third year in a row. The projected average annual housing requirements are 75,900 for the period, based on estimated population growth and household formation. Single detached starts will decline four per cent in 1991 before increasing by 26 per cent in 1992. Toronto is expected to lead the recovery in single family home construction.

About 7,400 condominium apartment units will be constructed in 1991, rising to 10,200 in 1992. Both years will be lower than the 1990 level as inventories of investor units are reduced and the market recovers. Private rental units will decline by 28 per cent in 1991 before a modest rebound of seven per cent in 1992. These declines will be partially offset by a 31 per cent increase in the construction of assisted rental units in 1991, which are a result of the provincial social housing programs initiated three years ago. This higher level of rental housing construction is expected to carry through into 1992 with a further nine per cent increase.

### Potential First Time Buyer Demand Thousands ONTARIO



SOURCE: CMHC.

Total home sales have also fallen below estimated demand. Sales of 178,700 new and existing homes should take place this year, based on homeowners who reported moving between January 1985 and May 1988 to Statistics Canada in its 1988 survey of Households, Income, Facilities and Equipment (HIFE) and applying the results to CMHC's demographic model. First time buyers represent about 43 per cent of the total potential demand. Nearly 61 per cent of first-time buyers are below 35 years of age while only 30 per cent of move up buyers are in this age group. A slowing

economy, high house prices and high interest rates will continue to moderate resale activity, and many of these potential purchasers will delay their purchase until after the economy recovers.

MLS sales records do not capture all sales, especially new home sales and homes sold privately or through exclusive listings. MLS sales volumes will continue to decline in 1991 by a further three per cent before increasing by 11 per cent in 1992. The decline in sales volumes in 1991 will be greatest in Thunder Bay at 10 per cent, and Oshawa at nine per cent. London and St. Catharines will also post decline in the number of sales this year. In 1992, only Sudbury is expected to post a decline in resales. St. Catharines, Windsor, Oshawa and Kitchener are forecasted to lead the recovery with increases in 1992 of 25 per cent, 18 per cent, 14 per cent and 14 per cent respectively, following the recovery in the automobile sector.

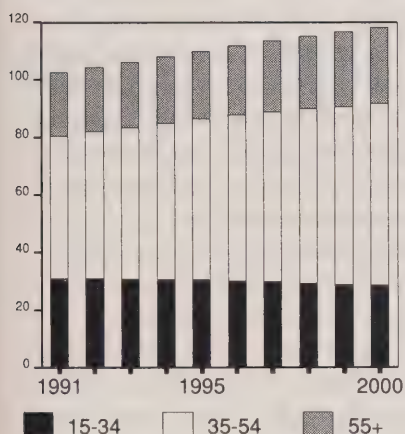
MLS resale house prices in Ontario are forecast to increase two per cent this year and increase a further six per cent next year. Initially, the decline in 1990 was due to fewer sales of higher priced units but price declines are now prevalent in most price ranges. Toronto and Hamilton will continue to post year-over-year declines in prices in 1991 of about five per cent. Although declines are forecast for Kitchener, Oshawa and Windsor, they will be smaller. Prices in all other CMAs are forecast to

increase this year. In 1992 all CMAs will experience increases in the average MLS price. Most will show increases even after adjusting for inflation.

The New House Price Index, which measures the increase in the cost of purchasing a new standard house, will continue to weaken. Following 1990 decreases in Toronto, only Ottawa and London are forecast to register increased housing costs this year. Neither center will record increases approaching, the rate of inflation, indicating that supply side pressures will not push prices upward. New house prices for all centers are forecasted to increase between four and six per cent in 1992.

After a slight increase in October 1990, vacancy rates are projected to continue to ease until April 1991. This will be due to a continued loss of migrants to other provinces, fewer younger renter households headed by persons less than 35 years of age, and competition from rental units in investor owned condominium projects. In 1991 and 1992 vacancy rates will be above two per cent in Kitchener, St. Catharines, London and Windsor. Toronto's vacancy rate is expected to continue to rise, reaching 1.3 per cent in October of 1991 before falling to 0.8 per cent in October 1992. ■

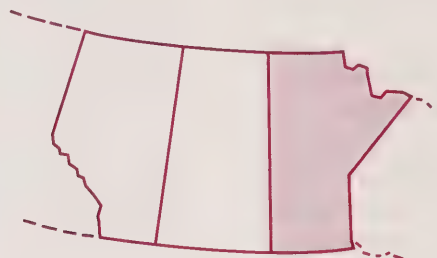
### Potential Move Up Buyer Demand Thousands ONTARIO



SOURCE: CMHC.



# Manitoba



## Housing Market Review – 1990

High mortgage rates, weak economic growth and continued, albeit lower, outmigration combined to erode consumer confidence and keep demand for housing weak in Manitoba in 1990.

Despite strong demand during the first three months of the year, total provincial residential construction activity in 1990 dropped by 19 per cent to 3,297 units, compared with 4,084 in 1989. The slowdown in activity was brought about by the rise in interest rates beginning in April, and a increase in outmigration levels during the third quarter of the year.

Single-family starts in the province dropped four per cent to 2,847 units. However, starts of all other types (semi-detached, row and apartments) were the major source of the reduction in activity, falling by 60 per cent to 450 units, compared with 1,118 in 1989. This was the result of continued high apartment vacancy rates and falling resale condominium prices in Winnipeg, which reduced the incentive to initiate new apartment construction.

Single-family starts in Winnipeg declined 12.3 per cent to 1,905 units during 1990 while continued weakness in the agricultural economy also reduced consumer confidence and demand for new homes in southwestern Manitoba. Total 1990 housing starts dropped by one-half in the communities of Brandon and Portage la Prairie. Single-family starts were up, however, in Thompson and Selkirk in 1990, due to stronger employment growth.

Higher materials costs, lower inventories and reduced competition allowed for

moderate new house price increases in Winnipeg during 1990. The New Housing Price Index increased by two per cent last year compared with almost no change throughout 1989.

Growing consumer pessimism in 1990 caused resale markets to experience weak demand and faltering prices. Residential sales recorded by the province's four MLS boards dropped by 9.8 per cent to 9,360 units in 1990, while average prices dropped three per cent to \$80,000 as a result of near record levels of listings. It should be noted that the decrease in the total average selling price was attributable to both general price decreases and, to a lesser degree, a shift to sales in the lower price ranges. For example, in 1990 the percentage of house sales in Winnipeg in all price categories decreased, except for units priced under \$60,000, which saw a three per cent increase in sales over 1989. This shift to lower priced units accounted for some of the observed price decreases in 1990.

Continued high outmigration and weak employment growth reduced demand and kept apartment vacancy rates high in Winnipeg during 1990. Vacancies in the city's privately-initiated apartment structures of three or more units remained virtually unchanged in October 1990 at 6.4 per cent compared with 6.5 per cent in October 1989 despite large reductions in multiple unit construction. Some reduction in vacancy rates was seen in Manitoba's other communities of 10,000 plus population, however, the effect on overall vacancy rates was minimal as they form only a small proportion of the province's total rental stock.

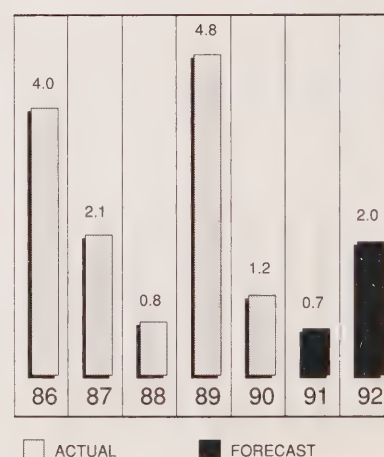
## 1991-92 OUTLOOK

### Economy

A recession in North America will cause the Manitoba economy to experience slower growth in 1991. The province should not, however, be hit as hard by the recession as parts of Central Canada, due to a number of investment projects that are underway or will begin in 1991. A nationwide economic recovery, beginning in the third quarter of 1991, will increase provincial economic output in 1992.

Manitoba produces and exports many products, such as paper, lumber, clothing, furniture, transportation equipment, minerals and metals, that will all be in less demand in 1991 as many of Manitoba's trading partners face recession. However, Manitoba will receive a stabilizing influence

### Real Gross Domestic Product % Change MANITOBA



SOURCE: Conference Board.  
CMHC: Forecast.

in 1991 through inter-provincial trade with other western provinces, such as British Columbia and Alberta, which will experience growth above the national average.

Weakening commodity prices, reduced government transfers to agriculture and slower growth in the province's goods producing industries will cause real Gross Domestic Product (GDP) to grow by only 0.7 per cent in 1991, down from 1.2 per cent growth in 1990. Improved consumer confidence, and a recovery in the North American economy will improve growth to the two per cent level in 1992.

Manitoba's labour force growth will be modest in both 1991 and 1992, increasing by 0.6 per cent and one per cent respectively. Employment growth will remain weak, increasing by only 4,000 jobs in 1991, representing a 0.8 per cent increase compared with 1.4 per cent growth in 1990. Large-scale investment projects such as INCO in Thompson, Dow Corning in Selkirk and the Trimel Pharmaceutical plant in Steinbach will facilitate the modest growth in employment in 1991. In 1992, provincial employment will advance by 5,000 jobs, representing an increase of one per cent.

Manitoba experienced stronger population growth in 1990 due to moderating levels of interprovincial net outmigration and rising international net migration. This trend will continue, with total net outmigration falling to 1,000 in 1991 as slowing economic growth in other parts of Canada results in fewer people leaving the province. In 1992 stronger economic growth in Manitoba will further reduce net outmigration to 500.

On a sectoral basis, growth in the goods sector will be weak in 1991, with most economic gains coming as a result of the large investment projects and from the service producing sector.

While Manitoba farmers enjoyed increased yields and output in 1990, net realized farm income declined due to reduced government transfers, higher fuel cost and lower commodity prices. Dry soil conditions in late 1990 which raised fears of another drought, as well as the failure of the recent GATT talks, have dampened optimism for the future of the agriculture industry. This, coupled with the continued reduction in transfer payments over the

forecast period, will cause farmers to continue to restrict spending and reduce debt loads.

Improved water flow conditions in 1989 and early 1990 created significant increases in hydro-electrical generation and export sales. A continuation of these favourable water flow conditions in the northern half of the province will facilitate a proposed 15 per cent increase in power generation from the Limestone project during 1991.

The province's mining industries will experience little growth in 1991, as base metal prices adjust to lower demand associated with the recession. Prices are, however, forecast to remain above the break-even point this year, and show modest increases in 1992.

Lumber prices fell in 1990 due to a slowdown in North American construction activity and prices will remain weak in 1991. Lumber prices should recover in 1992 as new house construction in North America picks up. The planned expansion at the REPAP facility in The Pas may be delayed until 1992 due to environmental reviews and soft demand for paper products.

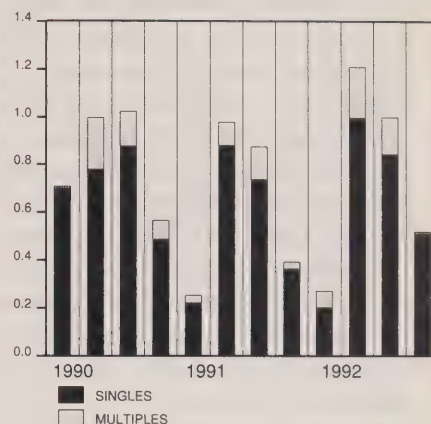
Employment in manufacturing was down by 12 per cent in 1990, representing a drop of 8,000 jobs. Manitoba's manufacturing sector will experience weak growth in 1991, as manufacturing of wood products, clothing and transportation equipment experience contraction. The economic recovery in 1992 will cause manufacturing output to rebound again.

The service sector was responsible for much of Manitoba's employment growth in 1990 when sustained consumer spending spurred growth in business and personal services. Spin-off growth from the large number of non-residential investment projects throughout the province will maintain this sector in 1991. Improved economic growth in 1992 will once again stimulate growth in business and personal services.

## Housing Market

Housing starts in 1991 are forecast to decline 24.2 per cent to 2,500 before a 20 per cent recovery in 1992 to 3,000 units. The reduction in demand during 1991 will be the result of reduced employment growth brought about by the national recession,

## Housing Starts Units Thousands (Qtrly) MANITOBA



SOURCE: CMHC.

sion, while lower interest rates, strengthened consumer confidence and stronger population growth will account for the modest improvement in 1992. Single-family starts will experience a 22.7 per cent decrease in 1991 due largely to weaker demand for smaller starter homes. Most renters entering the market during this time will do so by purchasing relatively less expensive resale units. As a result a larger proportion of the new single-family starts will be geared toward the move-up market during 1991.

Continued high apartment vacancy rates in most centres will result in a record low number of 300 multiple unit starts in the province during 1991, nearly half of which will be publicly initiated or assisted units. Only a slight improvement in the multiple unit market is expected in 1992 as absorption of existing vacant units remains slow.

In the city of Winnipeg total starts are expected to decrease by 18.5 per cent in 1991 to 1,750 units. Unlike the province a larger proportion of the decrease in Winnipeg will be attributable to reductions in single-family unit demand. Single-family starts in the city are forecast to reach 1,525 units in 1991, a decrease of slightly less than 20 per cent.

Despite weak economic conditions MLS sales will increase slightly during 1991 to 9,700 units as many buyers perceive low prices and decreasing interest



rates as a prime opportunity to enter the housing market. CMHC's Affordability Index indicates that 41.5 per cent of family households currently renting can afford to purchase an average Winnipeg home. This percentage should increase throughout 1991 as house prices and interest rates continue to decline.

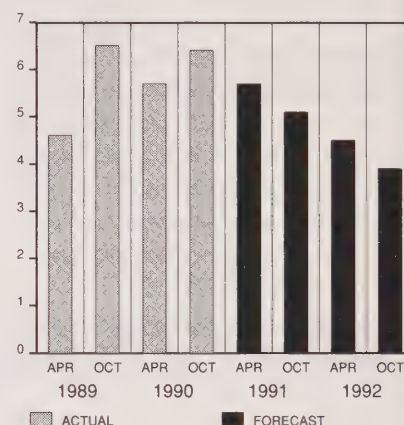
Continued buyers market conditions characterized by high levels of listings will result in a 1.8 per cent decline in average price during 1991 to \$78,500. The average MLS price will rebound by 2.5 per cent to \$80,500 in 1992 as lower net outmigration and stronger economic growth in 1992 will return sales to more usual levels of 11,000 units.

The pace of new house price increases, as measured by Statistics Canada's New Housing Price Index, averaged approximately two per cent in 1990. Con-

tinued weak demand for new housing and reduced construction will again cause a modest growth of two per cent in 1991, however a slightly faster growth of three per cent is expected in 1992 as the level of activity in the new home market begins to increase.

Vacancy rates, after increasing in most centres in the October 1990 Rental Market survey, are projected to decrease in 1991. The rate in Winnipeg will fall to 5.7 per cent by April, and then further to near five per cent by October 1991. Similarly, the vacancy rate in Brandon will average near five per cent throughout 1991. These reductions will be the result of lower levels of net outmigration and extremely low new multiple unit construction. Rent levels will continue to rise, however they will not keep pace with overall inflation. ■

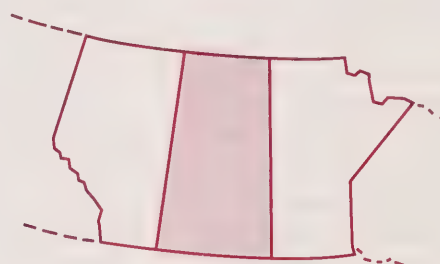
**Winnipeg Vacancy Rate**  
(in apartment structures 3 units and over)  
Percent



SOURCE: CMHC.

## PROVINCIAL HOUSING OUTLOOKS

# Saskatchewan



## Housing Market Review – 1990

New residential construction in Saskatchewan continued to slow in 1990, with 1,417 housing starts, 26 per cent fewer than the previous year. This is the fewest number of starts in the province since CMHC began keeping records in 1948. The key factor in the very weak performance of the provincial housing market has been the flat demand for housing as a result of little job creation, limited income growth, large net outmigration, population losses in rural areas and high interest rates.

Multiple-unit construction was most severely affected in 1990, falling by 37 per cent to 330 units. The continuing decline of multiple starts is a result of excess supply

in almost all provincial rental markets and saturation of most condominium markets. In Saskatoon, however, there was some successful targeting of ground-oriented condominiums for seniors.

Although demand for new housing has in general been weak, there is still a small market for new move-up homes and for affordable starter homes. Since almost all new single starts are presold, excess inventories of completed and unoccupied units have not accumulated.

The smaller cities in Saskatchewan have been hardest hit by weak demand mainly because populations have declined in those centers over the last couple of years. Surprisingly, rural starts increased their share in 1990, with 423 starts or 30 per cent

of the provincial total, up from 25 per cent in 1989. The main reason is that many of these rural starts were publicly-initiated.

Weak demand also characterized resale housing markets. All markets in the province favoured buyers, with sales remaining slow and listings stabilizing at high levels. The average resale price in the province declined by 1.4 per cent to \$69,000.

With almost no new rental units added during 1990 and modest increases in rental demand largely resulting from rural-urban migration, vacancy rates in Saskatoon and Regina declined marginally. Vacancy rates are still high however, and little or no rent increases occurred as a result.



## 1991-92 OUTLOOK

### Economy

In 1990, Saskatchewan's economy grew by two per cent, driven mainly by the second largest crop in history. The provincial economy is forecast to grow by 1.5 per cent in 1991 and two per cent in 1992.

Not only was the volume of grains and oil seeds harvested in Saskatchewan high in 1990 but the quality of the crop was very good. Low grain prices and reduced farm subsidies, however, actually resulted in a decline in net realized farm income.

The prospects for control of subsidies by governments in Europe and the United States are not optimistic and low prices are expected to continue into the foreseeable future. In Canada, government subsidies, which had become a major factor in farm income over the last few years, are expected to decline further in 1991 and 1992. Moreover, in 1991, the level of output is not likely to match the 1990 levels. The resulting decline in farm income will curtail consumer and business spending even further, especially in rural areas. In turn, this will result in little opportunity for service sector employment growth in the province except in the two major cities.

One anomaly that has occurred over the last three years has been the decline in farm debt in the province as farmers have used their earnings to reduce debt at the expense of consumer and business spending. This

lower consumer spending has had a detrimental impact on the service sector. Smaller cities and towns in the province have been hit hardest by low spending.

In 1991, the most significant economic activity in the province will come with the construction of various projects which will provide continued short term employment in construction and manufacturing and modest long term employment upon completion. These projects include the Bi-Provincial Upgrader at Lloydminster, the Millar Western Pulp mill at Meadow Lake, and the Cargill (Saferco) fertilizer plant near Regina.

The Rafferty Dam is virtually complete and preliminary work on the Alameda Dam has begun. Yet, this project may also face delays as a result of the environmental review process. Nevertheless, the major employment generator in the Estevan region is construction of the Shand thermal power plant which is well underway with employment expected to peak in the summer of 1991.

In Regina, two large office construction projects will also be underway in 1991 which will boost construction employment in that city. Another development which may improve the province's situation is a possible increase in oil and gas exploration and development. At the same time, lower prices for gold, diamonds and uranium are expected to slow exploration for these commodities in 1991.

A weak agricultural sector will almost completely offset the gains from construction and development projects in the province resulting in minimal improvement in Saskatchewan's overall economy in 1991.

Employment in 1990 grew by 0.7 per cent or 3,000 jobs mainly as a result of increased agricultural and manufacturing jobs. In 1991 and 1992, employment in Saskatchewan will grow marginally by 0.2 per cent (1,000 jobs) and 0.4 per cent respectively, largely resulting from non-residential construction. The unemployment rate over the next two years will remain in the seven per cent range as many of the unemployed continue to leave the province.

High net outmigration from Saskatchewan continued in 1990, as a net loss of 15,000 people is estimated. Net out-

migration is forecast to improve modestly to 11,500 people in 1991 and 12,500 people in 1992. Poorer economic prospects in other provinces in 1991 will primarily be responsible for fewer people leaving Saskatchewan this year.

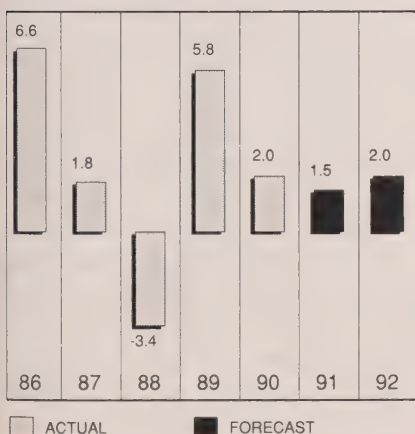
### Housing Markets

No recovery is foreseen for Saskatchewan housing markets in 1991. Markets will stabilize at current levels before making modest advances in 1992. Weak economic performance in 1991 and only a slight recovery in 1992 are the main reasons for this forecast.

Total provincial housing starts in 1991 will be 1,450, almost the same number as in 1990, and will increase slightly to 1,600 in 1992. The split between single and multiple units will be similar to 1990 with 1,150 single units and 300 multiple units in 1991. Modest opportunities for rental and condominium construction in 1992 will result in 400 multiple starts while single starts remain at 1,200 units.

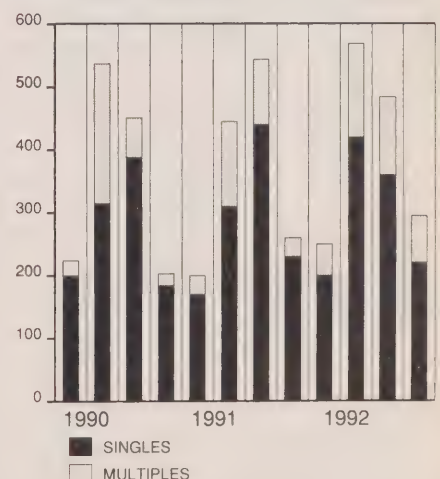
In Regina, slow population growth will continue to limit demand for new homes. One factor which may positively affect housing starts however, is the relatively low inventory of higher-priced resale units on the market. By the end of 1990, active listings were at the lowest level since 1987. Moreover, most of the listings are for lower-priced houses. The low supply of houses

**Real Gross Domestic Product  
% Change  
SASKATCHEWAN**



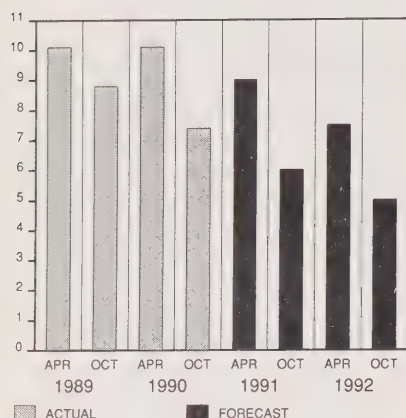
SOURCE: Conference Board.  
CMHC: Forecast.

**Housing Starts  
Units (Qtrly)  
SASKATCHEWAN**



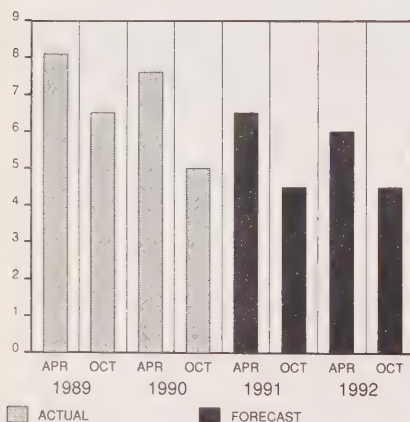
SOURCE: CMHC.

**Saskatoon Vacancy Rate**  
(in apartment structures  
3 units and over)  
Percent



SOURCE: CMHC.

**Regina Vacancy Rate**  
(in apartment structures  
3 units and over)  
Percent



SOURCE: CMHC.

priced over \$100,000 may result in improved starts levels in the latter part of 1991. High vacancy rates and weak demand for condominiums suggest that multiple unit construction in Regina will remain slow in 1991 and 1992.

In Saskatoon, increasing emphasis is being placed on constructing moderately priced single family dwellings in the \$85,000 to \$110,000 range. Although not a "starter home", these prices reflect a more modest house than the typical house built in 1990 with an average sale price of \$130,000. The relative success of ground-oriented condominiums indicates another emerging characteristic of the Saskatoon market. These condominiums have been selling to empty-nester households demonstrating a change in lifestyle caused by the shift of Saskatchewan's population in age and income.

Recovery in the smaller cities will take longer than in Regina and Saskatoon mainly because little or no population growth will occur in the smaller centers. Moreover, a relatively good selection of resale houses are available. There will also be some publicly-sponsored rural construction.

The new housing price index, which grew by less than two per cent in both Saskatoon and Regina in 1990, will increase by two per cent in Regina and less than one per cent in Saskatoon in 1991 and 1992. Slightly higher structure costs have been responsible for the increase in Regina while modest land price increases were the cause in Saskatoon.

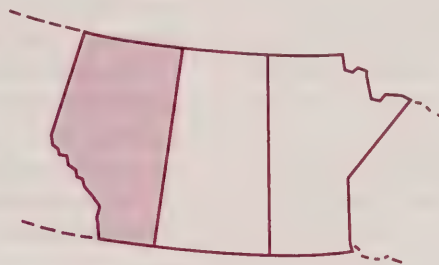
With strong housing affordability based on relatively low house prices and stable, lower interest rates in 1991 and 1992, MLS sales in the province will increase by four per cent on average for the forecast period. With only slight declines in listings, the

average provincial resale price will increase by about two per cent per year to \$71,500 by 1992.

Rental markets will continue to show modest improvement in Regina and Saskatoon as slight population growth boosts demand but little new construction means no increase in supply. As well, Estevan and Lloydminster, where large construction projects are located, will have significant declines in their vacancy rates. Other centres will experience little change. ■



# Alberta



## Housing Market Review – 1990

Alberta's housing market was volatile during 1990. The year was highlighted by a major increase in demand during the first quarter of the year and then an absolute decline in activity that affected both the resale and new construction markets to the end of the year. During April and May high interest rates and general uncertainty regarding the economy resulted in a major slowdown in activity that persisted in the new construction market throughout the rest of the year. The resale market was affected as well, however, the market saw gradual improvement towards the end of 1990. Despite the slowdown in late 1990, price levels and housing starts were stronger in Alberta than in any other province in Canada.

The expansion in housing markets early in the year was due to economic growth, increasing migration and pent-up demand in the marketplace. These factors, combined with investor confidence, dramatically increased housing starts in 1990. Housing starts over the first 4 months of the year were up by over 100 per cent compared to the same period in 1989, with builders reporting line-ups at show homes and a shortage of lots and labour. Consumer confidence declined however in late April, mainly as a result of high mortgage rates and economic uncertainty. Subsequently new home sales did not recover for the rest of the year. Despite this setback total housing starts in the province were 17,227 units, ending the year up 17 per cent over 1989, the highest percentage increase of any province in the country. Single starts in-

creased 12 per cent over 1989 with 13,809 homes started during the year.

The high volume of residential starts in 1990 was also augmented by strong multiple family construction and growing investor interest. Growing demand in the condominium and rental markets resulted in 3,418 multi-family starts compared with 2,367 in 1989, an increase of 44 per cent. Multi-family starts have quadrupled over the past five years.

Growth in residential demand combined with the provincial Alberta Family First Home Program resulted in a strong resale market in the first half of the year. The slowdown in the last half of the year resulted in a decline in total sales of nine per cent to 33,085. Resale prices remained strong, bolstered by growth in the major centres. The average price of an MLS resale home throughout the province increased by over 10 per cent in 1990 to \$108 675 from \$98 514 in 1989.

Rental markets throughout the province were also affected by changing demand in 1990. In the April Rental Market Survey, major markets were affected by strong homeownership demand and experienced some increase in vacancy levels. By October, migration into the province resulted in few available units and vacancy rates declined in most centres, falling to 1982 levels. In Edmonton the vacancy rate fell to 1.8 per cent while Calgary's rate fell to two per cent.

Tighter rental markets contributed to rising rental rates as well. Calgary and Edmonton both had rental rate increases of more than five per cent. Rental markets in smaller centres also tightened as major projects and increases in population resulted in lower

vacancy rates and higher rents. A lack of new construction will continue to put upward pressure on rents over the forecast period.

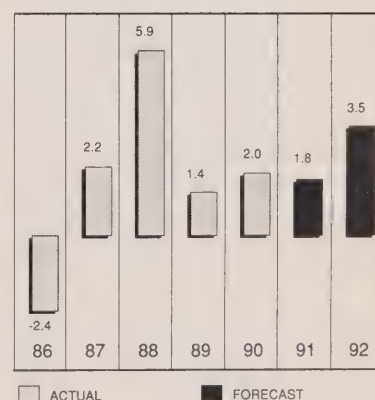
## 1991-92 OUTLOOK

### Economy

After a six-month slowdown in the last half of 1990 the Alberta economy is poised for expansion in 1991 and 1992. Growth will remain slow for the first three months of 1991 especially in the residential and industrial sectors. The return to positive growth will be led by the oil industry with projects in heavy oil, natural gas and pipeline construction. In addition, petrochemical and forestry projects will play a larger role in economic expansion over the next two years.

Real provincial Gross Domestic Product will increase by 1.8 per cent in 1991, and 3.5

### Real Gross Domestic Product % Change ALBERTA



SOURCE: Conference Board.



per cent in 1992, compared with two per cent in 1989. The provincial economy is expected to benefit from higher oil prices which are forecast near \$25 U.S. per barrel in 1991 and \$22 U.S. per barrel in 1992 as stability in this sector will result in a return to more normal price levels.

The slight decline in GDP is not expected to affect employment growth which slowed somewhat in the second half of 1990. Major project construction will lead to employment growth of 1.5 per cent in 1991 and three per cent in 1992 as the economy continues to expand. This will mean the creation of 18,000 jobs in 1991 and 38,000 jobs in 1992, compared to 20,000 jobs created in 1989. Employment growth over the next two years will be led by the private sector.

Increases in investment throughout the forecast period will offset the impact of slowing economies and lower demand across the country. Consumer spending is expected to suffer modestly in the first quarter of 1991 with uncertainty regarding GST and the national economic slowdown affecting consumer confidence. This trend will reverse in the second quarter as confidence in the economy returns. In the remainder of the year and into 1992 real growth in retail sales will occur as consumers adapt to the new tax system and confidence in the provincial economy returns.

Crude petroleum and natural gas continue to dominate Alberta's mining industry. Investment spending for major projects in this industry sector will expand the provincial economy throughout the forecast period.

Alberta's energy sector will continue to grow in 1991 and increases in investment will help offset the economic slowdown. A moderate increase in exploration and drilling activity is expected in 1991 and 1992. Relatively low oil prices in the past few years have forced the energy industry to become more efficient by rationalizing and consolidating operations. While rationalization will continue, the increases in oil prices will result in moderate increases in drilling activity. The Petroleum Association of Canada estimates that 6,200 wells will be drilled in Canada in 1991, an increase of seven per cent over 1990.

Heavy oil activity is expected to remain slow although employment generated from the Husky upgrader project in Lloydminster will increase with the summer construction

season. A decision regarding the OSLO project is currently scheduled for late 1991, however approval of this project would not substantially affect the economy until 1993.

Natural gas development will continue over the forecast horizon. The need for secure supplies and strong demand for cleaner fuel will spur additional pipeline and drilling activity. Construction is scheduled to begin in 1991 on the \$825 million Caroline Gas project.

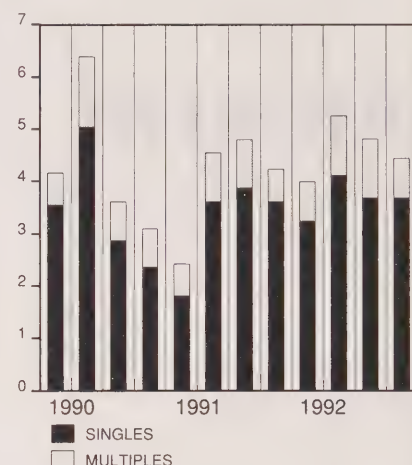
Employment in the non-residential construction sector will also benefit from investment in additional pipeline capacity. Trans Canada Pipelines is expanding pipelines to central Canada. This expansion is expected to increase sales for virtually all the companies operating in the province because gas will come from marketing agencies representing supply pools. Nova Corporation has also announced that it will be spending over \$500 million per year for the next three years on pipeline and gas gathering networks.

Growth in the forestry sector has moderated in the past year as environmental concerns have slowed or stopped some projects. The recent announcement of the Alberta-Pacific Forest Industries' \$1.3-billion pulp mill is expected to create 1,300 full time positions in Athabasca, 146 kilometers north of Edmonton. Construction employment over the next two years will average 1,075 and at the peak of construction in 1992, will create over 2,600 jobs.

The agricultural sector continues to experience problems especially in cereal grains. Negotiations on international trade agreements are currently at a standstill and will result in weak price levels over the forecast period. Smaller communities dependent on agriculture will suffer as a result and slow housing markets will continue in some centres.

A stronger overall economy and positive employment growth has continued to attract people into the province. Total net migration into Alberta in 1990 is currently estimated to have increased by 63 per cent to 16,000 people. This positive trend is expected to continue in 1991 and 1992. Annual net migration is forecast at 18,500 people in 1991 and 20,000 in 1992 as major projects and employment growth attract growing numbers from other parts of the country as well as from outside Canada.

**Housing Starts**  
**Units Thousands (Qtrly)**  
**ALBERTA**



SOURCE: CMHC.

In summary, a trend towards increasing economic momentum will continue to positively affect the provincial economy over the next two years. Growth will be slow in the first part of 1991 but as energy, forestry and petrochemical projects proceed, employment growth will continue to attract people into the province.

## Housing Market

Alberta's housing markets will continue to grow in 1991 and 1992 as a result of improving economic conditions and population growth. However, the slowdown in the markets as a result of the national recession will affect new homeownership demand in the first quarter of 1991, and low levels of new construction will result.

Despite a slow beginning in 1991, growing demand for housing will exert upward pressure on both new and resale housing throughout the forecast period. One change that may occur in early 1991 is the cancellation of the Alberta Family First Home Program. This program enticed a considerable number of Albertans into the homeownership market over the past two years and accounted for a number of sales of affordably priced units.

Total housing starts in the province will decrease by seven per cent from 17,227 in 1990 to 16,000 in 1991. The market will

continue to be slow in the first quarter but is then expected to grow to the end of the year. In 1992 total housing starts will increase by 16 per cent over 1991 as strong market growth continues throughout the year and housing starts grow to 18,500.

Single starts will decline by seven per cent to 12,900 in 1991, increasing in 1992 by 14 per cent to 14,700. Slower markets will moderate price increases in the major centres. New house prices in Calgary and Edmonton are expected to increase by seven and nine per cent respectively in 1991 after growing by 12 and 16 per cent in 1990. The growth rates will increase to eight and 10 per cent in 1992. The main factor in price increases in 1990 was lot prices

which increased substantially in both centres. Land prices are expected to continue to increase over the next two years but at more moderate levels.

The supply constraints associated with labour and serviced lots that were expected to impede market growth in 1990 did not occur because the market slowed in the second quarter. Similar constraints are not expected in early 1991 as gradual increases in starts activity occurs, however, continued increases in demand throughout the forecast period will again put upward pressure on prices in the major centres.

Compared to new construction, resale activity in the province will grow in 1991 as markets recover more quickly and demand continues to strengthen. The number of MLS resales in 1991 will reach 34,800, a five per cent increase over 1990. The average MLS price will also rise in 1991 by eight per cent to \$117,300. Resale volumes in 1992 will decrease by two per cent as prices grow more rapidly and the decreased affordability affects sales levels. In 1992, the average MLS price will increase by nine per cent to \$127,800.

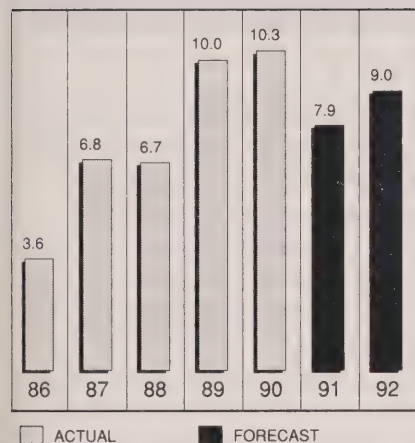
Lower interest rates will positively affect the homeownership market and affordability over the next two years. Affordability decreased over the past year as major increases in prices occurred.

Although growth has, and will continue to occur in the multiple-family construction market, most new multiple units are intended for the condominium market. Approximately 1,100 condominiums are projected for 1991 and 1,500 for 1992. Hence, a relatively small number of new

multiple units are intended for rental housing. Vacancy rates will continue to decline as employment and household growth outpace new multiple rental completions. Low supply will push vacancy rates down in the forecast period in most communities in the province.

In Calgary and Edmonton, the vacancy rate will increase slightly in April 1991 to 2.2 and two per cent as a result of seasonal factors. In October, the vacancy rate will decrease to 1.8 and 1.5 per cent respectively with further declines in 1992. As the rental market tightens, rents will continue to rise. Calgary and Edmonton will see increases of seven and eight per cent per year for the next two years. ■

**Average Residential MLS Price  
% Change  
ALBERTA**



SOURCE: CREA.  
CMHC: Forecast.



# British Columbia



## Housing Market Review – 1990

The housing market entered a recessionary phase in 1990. Sales and starts levels were well below peak levels achieved in late 1989 and early 1990. The sharp contraction in demand led to a similar adjustment in supply, particularly in the new housing market which had a sharp rise in unsold inventory. Excess supply conditions were more pronounced in the new condominium sector than in the new single-detached segment. Rental market conditions eased slightly in the second half. There were indications that the rate of decline in sales and single-detached starts had moderated by the end of the year.

MLS sales volumes rebounded somewhat in the third quarter following a very sharp drop in the first half. Monthly sales volumes plunged about 50 per cent to mid-year from the peak in late 1989. Sales volumes recovered somewhat in the second half, increasing by about 20 per cent from mid-year. For the year though, sales were down 30 per cent from 1989.

Prices of the existing homes also recovered somewhat in the second half. The average MLS residential price averaged \$155,500 in the fourth quarter up from \$151,900 in the third quarter. The price averaged \$168,600 at the peak in the first quarter of 1990 and was up four per cent for the year as a whole.

The supply of the existing homes remained high relative to sales in the second half. The sales-to-active listings ratio for Vancouver was about 12 per cent

at yearend, suggesting further price weakness in the short-term.

Housing starts followed a similar trend to sales but with a time lag. Housing starts peaked in the first quarter at a record seasonally adjusted annual rate (SAAR) of 54,000 units while MLS sales reached a peak in the fourth quarter of 1989. The starts trend continued down sharply and swiftly after the peak but slowed in the fourth quarter. The quarterly starts (SAAR) were 40,000, 31,000 and 26,000 units for the second to fourth quarters, respectively.

Single-detached starts showed some signs of levelling off in the fourth quarter. Seasonally adjusted starts were about 900 units monthly during the fourth quarter in urban B.C. compared to 850 units in the third quarter.

Unsold inventory of new single-detached units was up by about one quarter from mid-year and near a peak. This was a moderate increase and was probably due to less building on spec than in previous cycles and to the quick supply adjustment. This inventory situation implies that production could pick up fairly soon after an increase in demand.

The inventory position in the condominium market was substantially different. Unsold inventory almost tripled by yearend and further increases were very likely. Condominium starts reached a high in the second quarter and dropped sharply by yearend. At the peak there were 5,039 units started in the second quarter which plunged to 1,178 units in the fourth quarter.

In the rental sector, market conditions remained tight but some easing was evident. The annual rate of rent increase sub-

sided to about eight per cent in October from 10 per cent in April and 11 per cent in October 1989. New rental supply was up slightly and less existing stock was lost to demolitions or condominium conversion than was previously the case.

## 1991-92 OUTLOOK

### Economy

The growth catalysts which propelled the B.C. economy over the past three years will diminish markedly in 1991. Sluggish export activity, sharply lower capital investment, and weaker consumer expenditure growth will characterize the economy ahead. The economic expansion phase is expected to give way to weak growth followed by a moderate recovery in 1992 led by the export sector. Population growth is forecast to slow down due to less inter-provincial migration.

Capital investment spending is forecast to drop sharply in 1991 following strong gains since 1986. Spending is expected to drop by 10 per cent since the forest sector has weakened, the new housing sector has turned down, and corporate profits have weakened. Statistics Canada's survey of Investment Intentions showed a 15 per cent increase in 1990 and a 24 per cent increase in 1989. The 1990 figure will likely be high since it was taken at mid-year before the increase in negative economic reports. A small increase in public sector capital spending is likely this year, however. Nonetheless, capital spending is expected to contract in 1991.



Export sector activity will remain sluggish for most of the forecast horizon but a moderate pickup is expected in 1992. Lower commodity prices, a relatively high currency, and slower growth in B.C.'s major trading partners point to weaker export levels in 1991. In 1992, some of these factors are expected to improve resulting in a pickup in exports.

Consumer expenditures are forecast to moderate in 1991. Consumer confidence plunged in the second half of 1990 and high interest rates along with a slowing economy led to a flat growth rate after mid-year. Expenditures in 1991 are forecast to grow below the rate of inflation. The GST will dampen prospects for the service sector in 1991 relative to the manufactured goods sector.

Another factor which could negatively affect the economy in 1991 is the heavy labour-management bargaining calendar. About one quarter million union workers will have contracts expire in 1991. Many of these are in key areas such as forestry, construction, and the provincial government. The likelihood of work disruptions appears higher in 1991 than in the past two years.

Employment is forecast to decline slightly in 1991. Total employment is forecast to decline by 0.3 per cent. This compares to increases of 2.4 per cent in 1990 and 5.7 per cent in 1989. Industries facing a likely contraction are construction, forestry, and service firms dependent on capital expenditures.

Retail trade employment levels will do well to hold steady. A moderate increase in total employment is expected in 1992.

Unemployment is forecast to rise to 9.7 per cent in 1991 from 8.1 per cent in 1990. A small decline to 9.5 per cent is expected in 1992.

Rising unemployment in B.C. and in other parts of Canada will very likely result in lower interprovincial migration levels. Net interprovincial migration is forecast to decline from 42,000 in 1990 to 33,700 in 1991 and to 22,000 in 1992.

International migration levels will be rising during the forecast period due to higher quotas. This increase however is not expected to raise total net migration in 1991 or 1992. Population growth is, therefore, forecast to subside from its very strong rate of the past three years.

## Housing Market

The housing market cycle is expected to turnaround in 1991 and enter a recovery phase extending into 1992. Despite the weak prognosis for the B.C. economy in 1991, lower interest rates are expected to stimulate demand sufficiently to generate the beginning of a moderate recovery phase. Housing is typically one of the first sectors to pickup during weak economic periods. An improving economy in 1992 should contribute to the housing recovery phase.

Improving affordability due to lower interest rates and prices are expected to increase demand. MLS sales are expected to reach their lowest level in the first quarter and rise moderately thereafter in 1991. Total sales are forecast to rise by 6.5 per cent in 1991 to 61,800 units. Part of this increase is due to an expected increase in MLS market share. By 1992, demand conditions are expected to improve and be more broadly based which will increase sales by a larger amount. Sales are forecast to rise by about eight per cent to 66,700 units.

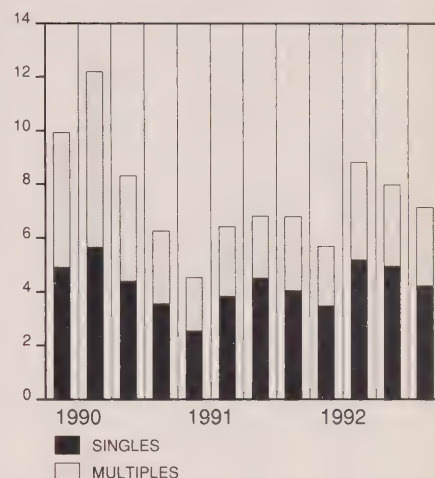
Prices in 1991 are forecast to be down in the first half before stabilizing in the second half. The average annual MLS residential price is forecast to be down slightly in 1991 due to a weaker first half. In 1992, price increases are expected to be around the rate of inflation. A balanced

market will likely characterize the market after mid-year 1991 and into 1992.

Housing starts are expected to pickup after sales increase and when inventories are lower. The single-detached sector will likely experience a turnaround in the second quarter. Condominium starts will probably remain low until later in 1991.

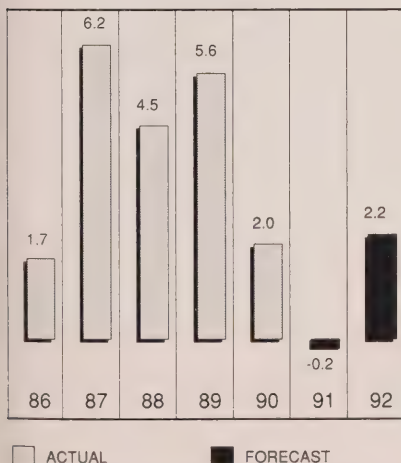
Single-detached starts are forecast to rise to 17,830 units in 1992 from 14,915 units in 1991. The latter forecast represents

**Housing Starts**  
Units Thousands (Qtrly)  
BRITISH COLUMBIA



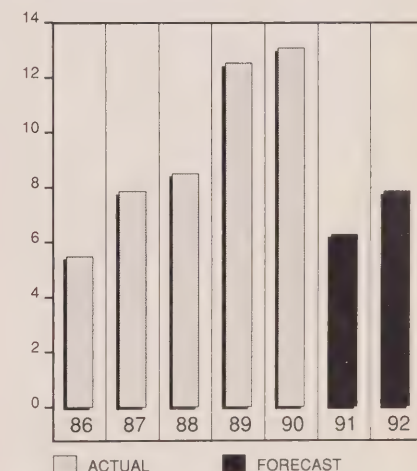
SOURCE: CMHC.

**Real Gross Domestic Product**  
% Change  
BRITISH COLUMBIA



SOURCE: Conference Board.  
CMHC: Forecast.

**Condominium Starts**  
Row and Apartment Units  
Thousands  
BRITISH COLUMBIA



SOURCE: CMHC.

a decrease of about 20 per cent from 1990. The recovery phase is expected to begin in the second quarter of 1991 and gain moderate momentum for the rest of the year. Unsold inventory of new houses is expected to reach a peak in early 1991 and trend down in the rest of the year.

Multiples starts are expected to take the brunt of the contraction in 1991. Total multiples starts are forecast to drop by one half to 9,660 units from 18,242 units in 1990. Condominiums are expected to drop to 6,280 units from 1990's record level of just over 13,000 units. Unsold new condominium inventory will be rising into 1991 and

will probably reach 5,000 units at the peak which is expected to be in the second quarter. A growing proportion of new condominiums will be entering the rental market as a result.

Rental market conditions are expected to ease further. Vacancy rates are forecast to rise in 1991 and 1992 and rent increases to moderate. Rental stock will likely increase since fewer units will be removed and more new units, some condominium will become available. Also, the improving affordability trend will result in some renters turning to the ownership market. The rental market is expected to reach vacancy rates around two

per cent and rent increases near the inflation rate.

Total multiples are forecast to rise in 1992 to 11,820 units. Both rental and condominium starts are expected to contribute to the upturn. Rental starts are forecast at 3,070 units and condominium starts at 7,850 units.

Housing starts in 1992 are anticipated to increase to 29,650 units from a forecast 24,575 units in 1991. The starts recovery phase is expected to start slowly in mid-1991 and gain strength in 1992. At this point, it is expected to be a moderate or average recovery phase. ■

## HOUSING STARTS - TOTAL

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2883	2682	3168	3536	3245	3450	3850
PEI	1110	933	1151	815	762	500	625
NS	7571	6460	5478	5359	5560	4600	5099
NB	4045	3716	3621	3681	2683	2400	2850
QUE	60348	74179	58062	49058	48070	39500	46500
ONT	81470	105213	99924	93337	62649	57000	70000
MAN	7699	8174	5455	4084	3297	2500	3000
SASK	5510	4895	3856	1906	1417	1450	1600
ALTA	8462	10790	11360	14712	17227	16000	18500
BC	20687	28944	30487	38894	36720	24575	29650
CAN	199785	245986	222562	215382	181630	* 152000	* 182000

SOURCE: CMHC.

(F) FORECAST.

\* Total does not add due to rounding.



## HOUSING STARTS - SINGLES

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2627	2530	2839	2932	2468	2700	2900
PEI	783	699	704	456	483	375	450
NS	4551	4120	3867	3361	3639	3152	3493
NB	3234	2957	2953	2909	2137	2070	2400
QUE	23692	31430	27724	24493	24942	22300	24100
ONT	56448	64929	57099	53511	32425	31200	39400
MAN	4791	4631	3601	2966	2847	2200	2550
SASK	3770	2995	2246	1383	1087	1150	1200
ALTA	7146	9495	9671	12345	13809	12900	14700
BC	12966	16353	17761	21612	18478	14915	17830
CAN	120008	140139	128465	125968	102315	* 93000	*109000

SOURCE: CMHC.

(F) FORECAST.

\* Total does not add due to rounding.

## HOUSING STARTS - MULTIPLES AND OTHERS

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	256	152	329	604	777	750	950
PEI	327	234	447	359	279	125	175
NS	3020	2340	1611	1998	1921	1448	1606
NB	811	759	668	772	546	330	450
QUE	36656	42749	30338	24565	23128	17200	22400
ONT	25022	40284	42825	39826	30224	25800	30600
MAN	2908	3543	1854	1118	450	300	450
SASK	1740	1900	1610	523	330	300	400
ALTA	1316	1295	1689	2367	3418	3100	3800
BC	7721	12591	12726	17282	18242	9660	11820
CAN	79777	105847	94097	89414	79315	* 59000	* 73000

SOURCE: CMHC.

(F) FORECAST.

\* Total does not add due to rounding.

## DETAIL OF MULTIPLE STARTS

	Private Rental Row/Apt	Assisted Rental Row/Apt	Total Rental Row/Apt	Condo Row/Apt	Other Semi/ Row/Free	TOTAL
NFLD						
1990	49	302	351	52	374	777
1991	80	220	300	50	400	750
1992	280	220	500	50	400	950
PEI						
1990	253	10	263	0	16	279
1991	25	80	105	0	20	125
1992	63	80	143	0	32	175
NS						
1990	781	402	1183	428	310	1921
1991	612	280	892	323	233	1448
1992	660	329	989	358	259	1606
NB						
1990	275	135	410	30	106	546
1991	180	100	280	20	30	330
1992	230	110	340	50	60	450
QUE						
1990	16145	800	16945	3450	2733	23128
1991	10400	1200	11600	2900	2700	17200
1992	13500	1000	14500	5000	2900	22400
ONT						
1990	6971	6897	13868	11465	4891	30224
1991	5000	9040	14040	7380	4380	25800
1992	5350	9840	15190	10210	5200	30600
MAN						
1990	325	76	401	0	49	450
1991	80	140	220	25	55	300
1992	125	225	350	60	40	450
SASK						
1990	67	0	67	225	38	330
1991	0	100	100	140	60	300
1992	50	75	125	200	75	400
ALB						
1990	718	250	968	1500	950	3418
1991	900	250	1150	1100	850	3100
1992	1100	250	1350	1500	950	3800
BC						
1990	2650	1303	3953	13067	1222	18242
1991	1280	1350	2630	6280	750	9660
1992	1620	1450	3070	7850	900	11820
CANADA						
1990	28533	9876	38409	30217	10689	79315
1991	18557	12760	31317	18218	9478	* 59000
1992	22978	13579	36557	25278	10816	* 73000

SOURCE: CMHC

1990 ACTUAL, 1991-92 FORECAST

\* Total does not add due to rounding.



**NEW HOUSE PRICE INDEX  
(PERCENT CHANGE)**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
ST. JOHN'S	2.3	5.0	2.3	5.5	3.6	6.0	6.5
HALIFAX	2.0	3.3	3.7	1.9	0.3	4.5	3.5
SAINT-JOHN	3.6	4.9	2.9	3.5	1.4	3.0	3.5
QUÉBEC CITY	6.7	8.9	8.8	6.9	3.3	5.0	7.0
MONTRÉAL	7.4	15.0	9.5	3.4	2.7	3.0	5.0
OTTAWA-HULL	2.8	5.7	6.7	5.6	4.0	1.5	6.0
TORONTO	16.6	26.2	16.6	22.4	-3.8	-10.7	5.4
HAMILTON	10.2	16.8	11.5	8.5	2.3	-1.4	4.0
ST. CATHARINES	12.5	12.5	6.5	8.4	7.0	-1.0	5.0
KITCHENER	14.4	14.4	9.0	10.3	1.9	-2.6	4.2
LONDON	13.7	16.1	7.7	9.7	5.7	1.3	5.5
WINDSOR	10.2	6.7	5.3	8.9	4.4	-1.0	4.5
WINNIPEG	6.3	5.9	1.2	-0.4	1.9	2.0	3.0
REGINA	3.4	3.6	1.6	1.7	1.8	2.0	2.0
SASKATOON	4.6	4.2	1.9	0.7	0.7	1.0	1.0
CALGARY	8.3	3.9	8.6	7.1	12.4	6.6	8.3
EDMONTON	7.3	4.2	5.2	8.3	15.9	9.4	10.1
VANCOUVER	0.6	4.5	5.2	15.6	5.8	-8.0	2.4
VICTORIA	-5.0	-2.3	7.3	10.0	7.0	-10.6	1.8

SOURCE: STATISTICS CANADA.

(F) FORECAST BY CMHC.

**MLS ACTIVITY - TOTAL SALES  
(PERCENT CHANGE)**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	1846	1906	2217	2040	1998	2175	2400
%	4.4	3.3	16.3	-8.0	-2.1	8.9	10.3
PEI	467	507	505	626	742	825	850
%	-12.9	8.6	-0.4	24.0	18.5	11.2	3.0
NS	6098	5903	5734	5640	6072	5388	5256
%	15.9	-3.2	-2.9	-1.6	7.7	-11.3	-2.4
NB	2688	2948	3518	3490	3316	3145	3540
%	1.5	9.7	19.3	-0.8	-5.0	-5.2	12.6
QUE	29203	29909	30503	30618	27999	29900	32000
%	11.3	2.4	2.0	0.4	-8.6	6.8	7.0
ONT	143988	134370	160578	142882	102728	100100	111150
%	9.2	-6.7	19.5	-11.0	-28.1	-2.6	11.0
MAN	11944	12367	11129	10375	9356	9700	11000
%	5.7	3.5	-10.0	-6.8	-9.8	3.7	13.4
SASK	8211	7875	7301	6850	6405	6690	6955
%	4.6	-4.1	-7.3	-6.2	-6.5	4.4	4.0
ALTA	23705	27632	30368	36249	33085	34832	34100
%	-15.8	16.6	9.9	19.4	-8.7	5.3	-2.1
BC	46145	56376	67460	83562	58027	61800	66700
%	6.0	22.2	19.7	23.9	-30.6	6.5	7.9
CAN	274295	279793	319313	322332	249728	254555	273951
%	5.8	2.0	14.1	0.9	-22.5	1.9	7.6

SOURCE: CANADIAN REAL ESTATE ASSOCIATION.

(F) FORECAST BY CMHC.

**MLS ACTIVITY - AVERAGE PRICE  
(PERCENT CHANGE)**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	69232	73416	76828	83285	88654	96500	105500
%	5.6	6.0	4.6	8.4	6.4	8.9	9.3
PEI	54419	58850	65464	74168	69284	72000	75000
%	2.8	8.1	11.2	13.3	-6.6	3.9	4.2
NS	74917	78885	79591	83874	84650	87254	91442
%	7.9	5.3	0.9	5.4	0.9	3.1	4.8
NB	63964	67632	72101	75848	77552	80626	84435
%	12.2	5.7	6.6	5.2	2.5	3.7	4.7
QUÉ	74506	86003	95367	100517	100950	104000	111280
%	10.8	15.4	10.9	5.4	0.4	3.0	7.0
ONT	108212	135656	161270	184677	175929	179850	190700
%	25.5	25.4	18.9	14.5	-4.7	2.2	6.0
MAN	70135	77031	80427	82401	79961	78500	80500
%	13.5	9.8	4.4	2.5	-3.0	-1.8	2.5
SASK	63792	65811	68355	70417	68963	70100	71500
%	3.8	3.2	3.9	3.0	-2.1	1.6	2.0
ALTA	78573	83905	89554	98514	108675	117300	127857
%	3.6	6.8	6.7	10.0	10.3	7.9	9.0
BC	92852	101916	121040	151504	157616	153200	159800
%	5.6	9.8	18.8	25.2	4.0	-2.8	4.3

**SOURCE:** CANADIAN REAL ESTATE ASSOCIATION.

(F) FORECAST BY CMHC.



**VACANCY RATES IN APARTMENT STRUCTURES OF THREE UNITS & OVER  
PRIVATELY INITIATED, IN METROPOLITAN AREAS  
(PERCENT)**

	1990		1991(F)		1992(F)	
	APR	OCT	APR	OCT	APR	OCT
CALGARY	2.7	2.0	2.2	1.8	1.9	1.6
CHICOUTIMI- JONQUIÈRE	3.2	5.1	4.5	6.0	5.0	4.0
EDMONTON	2.6	1.8	2.0	1.5	1.9	1.4
HALIFAX*	4.1	3.6	4.1	3.6	3.9	3.4
HAMILTON	0.9	1.3	1.3	1.5	1.4	1.3
KITCHENER	1.3	1.3	2.2	2.2	2.0	1.9
LONDON	3.1	2.8	3.2	2.9	2.7	2.5
MONTRÉAL	4.5	5.4	5.5	5.6	5.3	4.5
OSHAWA	1.6	1.8	1.5	1.2	1.0	1.5
OTTAWA	1.9	0.5	0.8	0.3	1.0	0.7
HULL	3.6	4.2	5.0	4.6	4.5	4.6
QUÉBEC	4.1	5.7	4.5	3.8	3.5	3.0
REGINA	7.6	5.0	6.5	4.5	6.0	4.5
ST. CATHARINES- NIAGARA	1.9	2.1	2.3	2.3	2.0	2.0
SAINT JOHN	3.9	4.1	3.8	3.6	4.0	3.8
ST. JOHN'S	4.6	1.8	2.9	2.6	2.5	1.9
SASKATOON	10.1	7.4	9.0	6.0	7.5	5.0
SHERBROOKE	7.3	9.7	8.0	8.8	7.4	7.8
SUDBURY	0.6	0.7	0.8	0.6	1.0	1.0
THUNDER BAY	2.0	1.0	1.1	1.2	1.0	1.0
TORONTO	0.7	1.0	1.2	1.3	1.0	0.8
TROIS-RIVIÈRES	6.1	7.6	6.6	6.4	5.9	6.5
VANCOUVER*	0.9	0.9	1.7	1.3	2.0	1.6
VICTORIA*	0.7	0.3	1.0	1.6	2.1	1.7
WINDSOR	2.2	2.5	2.9	3.0	2.6	2.0
WINNIPEG	5.7	6.4	5.7	5.1	4.5	3.9

SOURCE: CMHC.

(F) FORECAST

\* FOR SIX UNITS & OVER

**EMPLOYMENT  
(PERCENT CHANGE)**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2.8	2.2	5.5	4.0	0.0	1.0	2.5
PEI	1.5	2.1	3.5	1.4	1.6	-0.5	0.0
NS	2.4	2.6	4.7	1.9	1.5	-0.8	1.9
NB	2.8	3.5	3.1	1.7	2.1	-1.4	2.1
QUÉ	2.1	3.3	2.8	1.0	0.8	-0.8	1.3
ONT	3.4	3.6	3.7	1.8	-0.3	-1.9	1.6
MAN	2.3	1.2	0.3	0.8	1.4	0.6	1.0
SASK	1.2	0.4	-0.5	-1.1	0.7	0.2	0.4
ALTA	1.7	0.4	3.5	2.3	1.4	1.5	3.0
BC	4.2	2.8	4.0	5.7	2.4	-0.3	1.7
CAN	2.8	2.9	3.2	2.0	0.7	-0.8	1.6

**SOURCE:** STATISTICS CANADA.

(F) FORECAST BY CMHC.

**UNEMPLOYMENT RATE  
(PERCENT)**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	19.2	17.9	16.4	15.8	16.9	17.1	16.7
PEI	13.4	13.4	13.1	14.0	14.9	14.7	14.1
NS	13.1	12.3	10.2	9.9	10.6	11.5	11.1
NB	14.3	13.1	12.0	12.5	12.1	14.8	14.1
QUÉ	11.0	10.3	9.4	9.3	10.1	12.1	11.7
ONT	6.9	6.1	5.0	5.1	6.3	8.3	8.2
MAN	7.7	7.4	7.8	7.5	7.2	7.3	7.3
SASK	7.7	7.4	7.5	7.5	7.0	7.2	7.4
ALTA	9.8	9.6	8.0	7.2	7.0	7.3	6.9
BC	12.5	11.9	10.4	9.1	8.2	10.0	9.8
CAN	9.5	8.8	7.8	7.5	8.1	9.7	9.5

**SOURCE:** STATISTICS CANADA.

(F) FORECAST BY CMHC.



## TOTAL NET MIGRATION

	1986	1987	1988	1989	1990(E)	1991(F)	1992(F)
NFLD	-5634	-5470	-1999	-808	-3500	-500	0
PEI	-353	564	725	290	-940	-1220	-320
NS	-276	-1010	-607	588	-100	300	700
NB	-3777	-2315	-952	2240	-300	950	-250
QUE	9993	13277	12825	21839	25250	22000	17600
ONT	69420	101335	82125	78209	86430	89000	114000
MAN	-774	-2428	-6198	-4522	-3300	-1000	-500
SASK	-7190	-9467	-14753	-15276	-15000	-11500	-12500
ALTA	-16489	-17698	5652	9854	16000	18500	20000
BC	7621	32063	48005	58825	67000	61700	54000
CAN*	52541	108851	124823	151239	171540	178230	192730

SOURCE: STATISTICS CANADA.

(E) ESTIMATE BY CMHC.

(F) FORECAST BY CMHC.

\* EXCLUDES YUKON AND NORTHWEST TERRITORIES.

## HOUSING COMPLETIONS - TOTAL

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2400	2836	3220	3783	3127	3150	3375
PEI	1176	943	993	927	683	560	620
NS	7571	6488	5793	4904	5477	5082	4851
NB	4504	3944	3798	3383	2959	2357	3028
QUE	56984	68949	65224	50855	52630	39773	42795
ONT	69567	88609	88727	99817	80562	62292	62956
MAN	7341	7627	5621	6461	4028	2741	2785
SASK	5072	5640	4352	2743	1575	1396	1584
ALTA	9172	9334	11201	12763	17467	15999	17969
BC	20818	23606	27603	31735	37655	29425	27060
CAN	184605	217976	216532	217371	206163	162775	167023

SOURCE: CMHC.

(F) FORECAST.

## HOUSING COMPLETIONS - SINGLES

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2217	2521	2961	3217	2434	2500	2681
PEI	788	728	678	539	391	320	460
NS	4475	4190	3597	3274	3473	3481	3323
NB	3255	3222	3111	2773	2332	1870	2510
QUE	22322	29664	28980	24456	27199	21530	23828
ONT	49268	61400	58072	54732	43130	29966	35644
MAN	4204	4935	3916	3263	3109	2193	2418
SASK	3624	3603	2525	1523	1112	1063	1274
ALTA	8022	8168	9586	10956	14699	12649	14687
BC	12727	14816	15785	18736	20111	14075	17085
CAN	110902	133247	129211	123469	117990	89647	103910

SOURCE: CMHC.

(F) FORECAST.



# **HOUSING COMPLETIONS - MULTIPLES AND OTHERS**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	183	315	259	566	693	650	694
PEI	388	215	315	388	292	240	160
NS	3096	2298	2196	1630	2004	1601	1528
NB	1249	722	687	610	627	487	518
QUE	34662	39285	36244	26399	25431	18243	18967
ONT	20299	27209	30655	45085	37432	32326	27312
MAN	3137	2692	1705	3198	919	548	367
SASK	1448	2037	1827	1220	463	333	310
ALTA	1150	1166	1615	1807	2768	3350	3282
BC	8091	8790	11818	12999	17544	15350	9975
CAN	73703	84729	87321	93902	88173	73128	63113

SOURCE: CMHC.

(F) FORECAST.



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SUMMER 1991

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**NATIONAL HOUSING OUTLOOK**

**THIRD QUARTER, 1991**

**MARKET ANALYSIS CENTRE**

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Forecast prepared July, 1991



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# Executive Summary

## Canada

The outlook for the housing market is not significantly different from the last issue of the *National Housing Outlook*, although slightly weaker than expected growth has meant a modest revision downward to housing starts in 1991. Starts are forecast to be at 147,000 units, slightly lower than the previous forecast of 152,000 units, and to recover to 178,000 units in 1992.

Lower interest rates restarted the housing market in the second quarter and will continue to support it. In addition, as the economy and employment improve over the next 18 months, so will the housing market. The improvement, however, will be moderate as a number of weaknesses in the economy will limit house production. Both single-detached and multiple units starts will improve over the coming months, although single units will be stronger as oversupplies of condominiums and rental units limit the new supply of these units.

## Newfoundland

Lower interest rates, employment growth and an improvement to migration because of the Hibernia project will strengthen the existing and new

housing markets over the next 18 months. A weak first half of 1991 will mean overall starts are slightly lower this year than last, at 3,000 units. A strong improvement to single family starts will bring production up to 3,650 units next year.

---

*“The recovery in the housing sector is expected to be moderate, in line with the general economic recovery.”*

---

## Prince Edward Island

While lower interest rates will stimulate the existing housing market, they will not sufficiently offset unemployment and outmigration to create strong demand for new housing in 1991. Starts at 630 units, will be below the 1990 level and will remain virtually unchanged in 1992.

## Nova Scotia

The recession will continue to dampen housing markets in Nova Scotia for most of the rest of the year. While apartment construction will increase this year because of strong rental demand, single family housing and sales of existing units will be limited by low consumer confidence, unemployment and limited income growth, in spite of lower interest rates. Only 4,800 units will be started in 1991. Next year, rental and single family ownership units will switch positions, with rental construction declining as homeownership demand increases, moving starts to 5,100 units.

## New Brunswick

Continuing improvements in affordability have already increased demand for existing housing from first-time home buyers. This is expected to flow over into the new market by year's end, with housing starts expected at 2,500 units. In 1992, starts are forecast to increase to 2,850 units as the economy and consumer confidence improve, creating stronger housing demand.



## Quebec

The recovery in the housing market is already under way in Quebec, stimulated by lower interest rates and provincial government programs. Given the economic and political uncertainty which exists, however, along with high vacancy rates, the recovery is likely to be modest. The large number of vacant new single-detached and condominium units will impede any rapid expansion of the housing market. In 1991, housing starts will be 41,800 units, rising only slightly in 1992 to 44,200 units.

## Ontario

Improved affordability and consumer confidence will strengthen the recovery in house construction which has already begun in Ontario. All local markets will recover by the end of the year. First-time buyers are the majority responding to improved affordability, especially in Toronto. The long-term trend toward new move-up single family homes will restart later this year and become stronger in 1992 as move-up buyers return to the market. Most of the advance in starts in 1992 will be from single family dwellings, although condominium starts will also improve in response to lower inventories. Starts in 1991 will

be 51,200 and increase to 71,000 in 1992.

## Manitoba

Manitoba had a very severe downturn in the first half of 1991, which will limit the number of starts for the year even though a modest recovery is expected in the last half of the year. Starts are expected to be as low as in the 1982 recession at 1,700 units. An improved economy and consumer confidence will boost construction next year to 2,400 units, which is still a historically low level. High rental vacancies will keep apartment and row unit construction low in both years.

## Saskatchewan

Saskatchewan housing markets, which have been depressed in the last two years, will not improve in 1991 and 1992. Total starts are forecast at a record low of 800 units in 1991 and 1,250 in 1992. Few employment opportunities, due to little farm investment and consumer spending, will translate into weak demand for housing. The demand that is there will be mainly from move-up buyers as the 19-35 age group of first-time buyers has declined significantly as a result of aging and outmigration.

## Alberta

House construction will recover in the latter half of 1991, as lower interest rates, stable prices and continued migration improve the market. The economic downturn and weaker consumer confidence has shifted demand to less expensive housing, which is expected to continue through 1992. This will mean only moderate price increases as consumers remain price conscious. Starts are forecast at 12,500 units in 1991, improving to 15,600 units in 1992.

## British Columbia

B.C.'s housing market has already shown a recovery mainly because of lower interest rates and a slight decline in prices. In 1991, 28,200 units are forecast to be started. Later in the year and into 1992, improved employment and consumer confidence will lead to higher housing demand, with 31,500 starts in 1992. Despite the increase in demand, consumers will still emphasize affordability and first-time buyers will dominate the market therefore, price increases will be moderate. ■



# Canada

by Rita Daniel

## Housing Markets Recover

Housing markets in Canada dropped dramatically at the beginning of 1991 in response to recessionary economic conditions, an oversupply of housing in some areas and the introduction of the GST. First quarter starts were the lowest quarterly figures since 1957. Lower mortgage interest rates, however, restarted both the existing and new housing markets, with sales of existing homes first to respond. Housing starts began to rebound in April, growing steadily stronger each month. Total starts for the first half of 1991 were 54,299 units.

Single-detached unit starts responded somewhat stronger to the decrease in interest rates, with 28,230 starts in the first half of the year. Multiple unit starts at 26,069 units, did not improve as much due to longer planning horizons required for multiples and large over supplies of condominiums and rental units in many areas.

Most of the increase in starts in the second quarter was in Quebec, Ontario and British Columbia, although activity began to improve in other provinces toward the end of the period. Gains in Ontario and British Columbia were mainly due to first-time buyers responding to more affordable housing as a result of lower prices and interest rates. Some of Ontario's increase was also from higher levels of social housing units. The improvement in Quebec related not only to lower interest rates,

but also to provincial government programs for first-time buyers and for construction of housing for homeownership. Increases in sales of existing houses were stronger and more broadly based than starts, although British Columbia and Ontario showed the greatest strength. Lower prices and interest rates were again the major factors.

For the first time in over ten years, rental vacancy rates exceeded one per cent in all metropolitan areas. The national average vacancy rate also increased to 3.8 per cent in April from 3.6 per cent last October. The higher vacancies were due in part to increased home buying by renters in markets made more affordable by lower interest rates and prices and some doubling up of tenants in response to higher unemployment and the downturn in the economy.

## 1991-92 Outlook

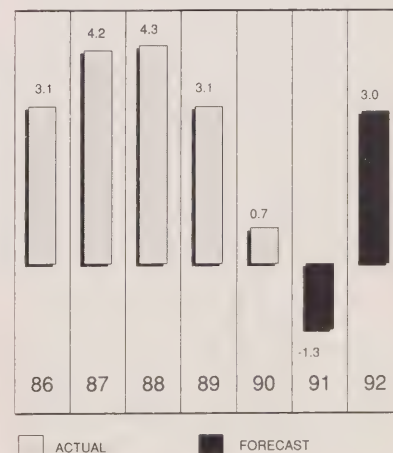
### Slow Economic Growth

The economy is finally starting to show signs of recovery, which should continue over the coming months. The recovery will be fuelled by lower interest rates, which will spur housing and consumer expenditures, and a moderate growth in exports as a result of an expected improvement in the U.S. economy. Energy investment will also contribute to the recovery. Economic growth will be modest, however, with

the economy gradually improving over the next 18 months. There still remain a number of weaknesses in the economy which will limit growth. High consumer debt will leave limited room for consumers to increase their spending. Corporate profits have declined sharply, hindering the investment potential of companies. Finally, restrictive budgets federally and in most provinces will mean little growth from government. Gross Domestic Product is forecast to be 1.3 per cent lower in 1991 than last year, due to the weak first part of the year, and to increase by 3.0 per cent in 1992 as the economy strengthens.

Still, all provinces are expected to have better economic performances in the last half of 1991, though with

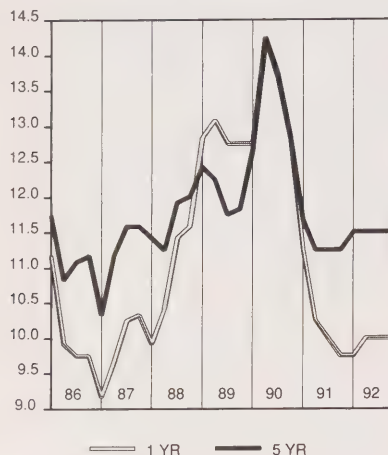
### Real Gross Domestic Product % Change CANADA



SOURCE: Statistics Canada.  
CMHC: Forecast.



### Mortgage Rates Percent Major Financial Institutions



SOURCES: Bank of Canada Review; CMHC.

varying degrees of improvement. In 1991, activity in Alberta and Newfoundland will be strongest due to energy investments, while Ontario, Quebec and Manitoba will be the weakest. In 1992, Ontario will have the strongest growth, due to broad based recovery in most sectors. All provinces are expected to have positive growth, ranging from 0.5 per cent in Saskatchewan to 3.7 per cent in Ontario.

The employment outlook mirrors that of the economy in general, with weakness in the first half of 1991 and then improving gradually. In the early stages of the recovery, the unemployment rate will increase in 1991 for an average rate of 10.4 per cent. The rate is expected to decrease to an average of 10.1 per cent in 1992. Only a slow improvement is expected because of the forecast modest economic recovery. Also persons who left the labour force during the recession will begin again to look for jobs, keeping the unemployment rate high, even though employment will be increasing.

Interest rates are not expected to drop much further, if at all. As the economy becomes stronger and the Bank of Canada continues to watch inflation, interest rates in the third and

fourth quarter of 1991 should stabilize. U.S. rates, which are expected to rise due to a stronger economy and fear of higher inflation will be another reason for Canadian rates holding steady. The economic recovery in Canada along with rising U.S. rates will put upward pressure on Canadian rates during 1992, however the rise will be moderate.

### Gradual Improvement in the Housing Market

The recovery in housing markets, which began in the second quarter of 1991, is expected to continue in the last half of the year as the economy improves and employment picks up. Starts for 1991 are forecast to be at 147,000 units, somewhat lower than our previous forecast of 152,000 units, due to a weaker than expected first quarter. The recovery will be stronger in 1992 with starts reaching 178,000 units.

Continued low mortgage interest rates will be the main factor contributing to the recovery. In addition, house prices are not expected to increase significantly over the next 18 months, meaning many potential first-time buyers will still be able to purchase a home in all markets. Provincial housing programs in Quebec and Ontario will also boost starts.

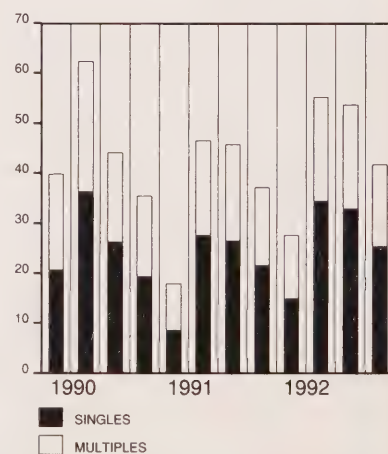
The recovery in the housing sector is expected to be moderate, in line with the general economic recovery. High consumer debt levels and low discretionary savings will dampen the improvement. Also, unemployment is forecast to decline gradually during the coming 18 months and income growth to be weak. These factors will constrain potential homebuyers' ability to purchase a home. Furthermore, inventories of new houses, which have been steadily decreasing, but remain high in certain markets, will limit the number of new units to be built.

In the latter half of 1991, all provinces will see some improvement in their housing markets, although the recovery won't be significant for places like Manitoba and Saskatchewan. Again in 1992, all provinces will have stronger housing markets, with the greatest growth in Ontario.

Improved affordability of single detached units will mean single detached construction will have a stronger recovery than that of multiples. Large inventories of condominiums and high rental vacancy rates in some centres also mean that less new supply is required. Multiples starts are forecast at 63,000 units in 1991, while singles are forecast to be at 84,000 units.

Both singles and multiples will increase in 1992, but the main area of growth will be singles. The trend to homeownership due to the aging of the population will mean a return to higher levels of singles and a continuing low level of rental starts. Condominiums will also rebound somewhat in 1992, mainly in Ontario and British Columbia as inventories decline. Along with the gain in singles in 1992 will be an increase in move-up buyers. First-time buyers are currently dominating the market and will continue to be strong throughout the rest of this

### Housing Starts Units Thousands (Qtrly) CANADA



SOURCE: CMHC.

year and probably much of 1992, as well. However, as the market gains strength, more and more move-up buyers will enter the market.

Greater affordability of existing units will cause sales of these units to do well over the next year and a half. Lower interest rates and stable or lower house prices, especially in markets such as Toronto and Vancouver, will create strong demand for these units. As with starts, as the economy improves and consumer confidence recovers, sales of existing units will increase at a faster pace. Total sales are projected to grow by 25 per cent in 1991 to 313,000 units and by 2 per cent in 1992, to 319,000 units.

With the exception of Newfoundland, British Columbia and, to a lesser extent Ontario, price increases are expected to be moderate through 1991

and 1992. With inflation forecast at 6.0 per cent in 1991 and 4.1 per cent in 1992, real house prices (prices adjusted for inflation) will decline or remain relatively unchanged. Weak demand and excess supply plus price conscious consumers will limit price increases in most provinces.

The rental market, which has eased in most cities over the past year, is expected to tighten again over the coming months. A reduction in the supply of new rental units and an increase in demand will reduce the number of rental vacancies in many major markets through the end of 1992. Lower rental unit starts in 1991 will decrease the oversupplies in some markets. Similar to the new and existing homeownership markets, changes will be gradual. Despite the changes, vacancy rates in Quebec, Nova Scotia,

Manitoba and Saskatchewan will remain above average, while rental markets in most of Ontario and British Columbia will be relatively tight.

By the latter half of 1992, starts should be around a seasonally adjusted rate of 200,000 units, which is consistent with underlying requirements. This high level of requirements is based on natural growth of the population and immigration which is forecast to increase through 1995. Immigration quotas of the government are set at 208,000 for 1991, rising to 250,000 for 1992-95. Housing starts should rise above 200,000 units in 1993 and 1994 as a stronger economy is forecast, stimulating greater housing demand to satisfy current housing requirements plus pent-up demand not met in the 1990-92 years. ■

PROVINCIAL HOUSING OUTLOOKS

# Newfoundland

by Mac Woodman



## Highlights

- Strong employment growth and an improved migration picture will boost new home construction 21.7 per cent in 1992.
- Lower interest rates and Hibernia spinoffs will support gains in the sale of existing homes in 1991-92.

## Housing Market Review — First Half 1991

The strength experienced in new residential construction in the fourth quarter of 1990 did not carry over to

the first half of 1991. Public sector cut-backs, rising unemployment and high levels of consumer debt more than offset the impact of lower interest rates leading to an 18.8 per cent decline in new home construction. Construction of single-detached homes fell 16.1 per cent to 713 units in the first half while multiple unit construction was down 26.3 per cent to 224 units. New single-detached dwellings with accessory apartments continued to account for the bulk of multiple unit activity. Growth in this housing form has served to limit demand for apartments containing three or more units in the

metro region. Demand for rental accommodation declined in April with the vacancy rate increasing to 4.8 per cent from October's rate of 1.8 per cent. Seasonal movement of students from the area and a weakened metro economy were responsible for the increase in the vacant stock.

Despite signs of a recovery late in the second quarter, low consumer confidence served to reduce resale market activity in the first half of 1991. Sales of existing MLS homes in the metro region were down 10.3 per cent from 1990 levels to 693 units. With record level listings, the resale market



maintained its favour to buyers to mid-year. The average price of a resale home increased 4.2 per cent to \$88,846, reflecting the sale of higher priced homes. Total MLS\* sales for Newfoundland including the central region of the province declined 8.1 per cent over 1990 levels to 750 units.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## 1991-92 Outlook

### Economy

Following a year of virtually no growth in 1990, the economy is expected to expand in 1991 largely on the strength of investment expenditures associated with the \$5.2 billion Hibernia project. Provincial budget cutbacks and the continuation of weaknesses in resource based industries will serve to limit economic growth to 1.0 per cent this year. Large gains in Hibernia related expenditures and a broad based recovery in the goods producing and service sectors will boost economic growth to 3.0 per cent in 1992.

The Hibernia project is expected to be the main catalyst for economic and employment growth over the forecast period. Project expenditures are es-

timated to exceed \$300 million in 1991 before rising to \$500 million in 1992. Direct employment related to Hibernia in the province is estimated at 10,000 person years over the five year development phase.

The province's resource based sectors with the exception of mining are not expected to fare well in 1991. The fishing industry will continue to be negatively affected by reductions in the Total Allowable Catch. With the advent of economic recovery, the forestry, mining and manufacturing sectors are forecast to expand in 1992. The service sector is expected to record only marginal growth in 1991 but recover next year. The provincial budget which included a wage freeze and layoffs in excess of 2,000 public sector employees served to severely dampen consumer confidence. High personal debt levels and introduction of the GST will limit growth in retail trade this year. Stronger economic and employment growth will support healthy advances in this sector in 1992.

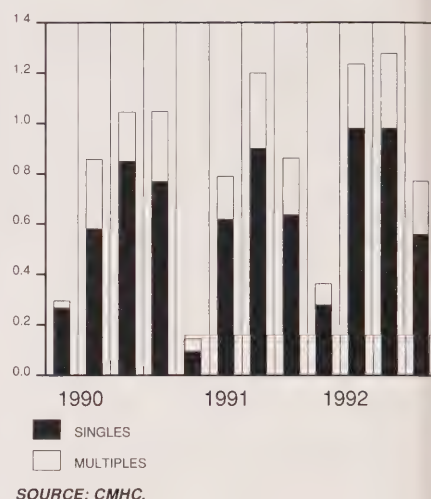
Job losses in the private and public sectors will contribute to a 0.5 per cent decline in employment this year. Spurred by the Hibernia project and recovery in other sectors, employment is forecast to advance 2.5 per cent in 1992. Despite the boost to employment next year the unemployment rate will average 18.7 per cent in both 1991 and 1992 due to growth in the labour force.

Following a net outflow of 4,262 persons last year, migration is expected to improve in response to growth prospects for the economy. Net migration is forecast to decline to -1,000 this year and zero in 1992.

### Housing Market

Affordability in both the new and resale markets will be significantly improved over the forecast period as a result of favourable mortgage rates. Despite the interest rate relief, higher unemployment, constrained personal

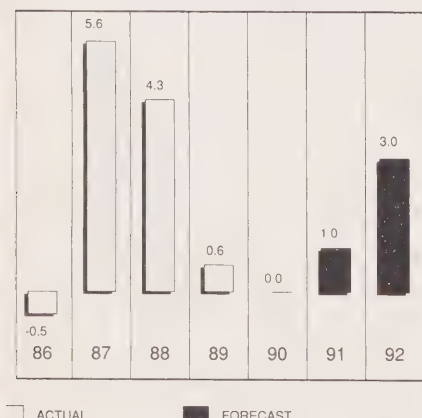
### Housing Starts Units Thousands (Qtrly) NEWFOUNDLAND



incomes and the GST will lead to a 7.6 per cent decline in new home production to 3,000 units in 1991. Strong employment growth and a substantial improvement in the migration pattern will boost housing starts 21.7 per cent to 3,650 units next year.

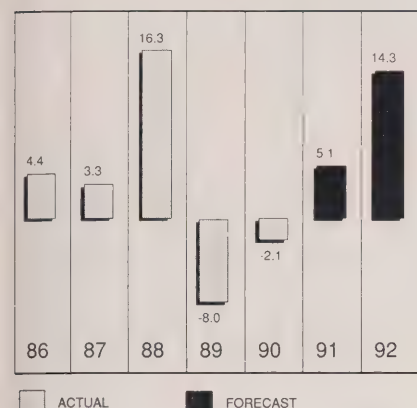
Lower interest rates will stimulate the first-time buyer segment of the market in 1991. An upturn in housing starts late in the second quarter provided evidence of strengthening demand for new construction. Higher inventories of newly completed and unoccupied units at the mid to upper end of the market in the first half of 1991 will limit speculative building for the remainder of 1991. An extension of the FST housing rebate program until the end of 1991 will help builders move long term inventory and re-enter the new homes market. Single-detached starts are forecast to decline 8.8 per cent this year to 2,250 units before advancing 24.4 per cent to 2,800 units. Multiple unit construction is forecast to decline 3.5 per cent to 750 units in 1991 and then increase 13.3 per cent to 850 units in 1992. Single-detached units with accessory apartments which improve affordability in the province are expected to account for 53 and 59 per cent, respectively, of

### Real Gross Domestic Product % Change NEWFOUNDLAND



SOURCE: Statistics Canada.  
CMHC: Forecast.

## Residential MLS\* Sales % Change NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

multiple unit construction in 1991 and 1992.

Lower interest rates and spinoffs from the Hibernia project will support renewed strength in the existing homes market over the forecast period. Total MLS sales in St. John's metro are expected to increase 3.1 per

cent to 2,000 units in 1991. The GST exemption on existing homes will increase demand for dwellings less than five years old at the expense of the new homes market. Favourable interest rates will stimulate first-time buyer demand and bolster activity for homes priced under \$90,000. Buoyed by higher consumer confidence levels, Multiple Listing Services sales in the metro region will rise 15 per cent to 2,300 units in 1992. MLS sales in Central Newfoundland are forecast at 100 units in both 1991-92. Weaknesses in the first half will temper average price growth to between 6 and 8 per cent in 1991. Spurred by increased demand at the higher end of

the market, average sales price is forecast to rise by 8 to 10 per cent in 1992, to an annual average of \$103,500.

As the St. John's metro economy improves, demand for rental accommodation is expected to strengthen in the medium term. Market demand will support construction of a limited supply of reasonably good quality units. Vacancy rates are expected to range between 2.3 and 4.1 per cent during the balance of 1991 and 1992. Rental rates for average quality accommodation are expected to increase at or slightly below the rate of inflation. Growth in rental rates for lower quality rental stock will continue to be limited by high vacancy rates. ■

### Housing Indicators

	1990	1991(F)	1992(F)
Starts	3,245	3,000	3,650
MLS* Sales	1,998	2,100	2,400
Average MLS* Price	\$88,654	\$94,500	\$103,500

SOURCES: CMHC, The Canadian Real Estate Association.  
(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# Prince Edward Island

by Ralph Freeze

## Highlights

- Sales of existing homes up significantly in first 6 months of 1991
- Charlottetown vacancy rate at all time high of 6.6 per cent in April 1991

- Total starts to decrease by 17 per cent in 1991, remain stable for 1992

## Housing Market Review — First Half 1991

The number of residential sales on Prince Edward Island increased to 392

during the first six months of 1991 from 339 during the same period last year. First-time home buyers took advantage of reduced mortgage rates, a wide selection of homes, and relatively stable prices. Existing house prices on the Island have risen approximately 3.5 per cent compared to the spring of





1990. This is considerably less than the cost-of-living increase for the province. The large number of houses for sale has contributed to the making of a buyer's market. New home construction has been affected by this as some have decided to buy rather than build. Although the number of starts is similar to last year, the pattern has changed. In early 1990 new construction was active, but declined throughout the year. The opposite appears to be true for 1991.

Apartment vacancies reached record high levels in the spring of 1991. At 6.6 per cent, vacancies in Charlottetown are 1.1 percentage points above the previous high set in April 1990. The combination of more students renting during the winter, and now moved out, along with increased construction of new apartments, has put upward pressure on the vacancy rates.

## 1991-92 Outlook

### Economy

Constrained federal and provincial government spending, reduced farm cash receipts, and a drop in tourist expenditures will limit economic growth to 0.5 per cent in 1991. Non-residen-

tial construction will lead the way for growth. Construction projects over the forecast period include the federal plant pathology laboratory, the GST complex, school renovations and expansions, and commercial building. Proposals for the building of the fixed link between New Brunswick and the Island are to be completed by the fall of 1991. Due to the uncertainty of a potential start date, the impact of this project is not included in the forecast. The manufacturing sector is the other bright spot for the 1991-92 period. Additional food processing capacity will add value to manufacturing output. Improved consumer confidence in 1992 will fuel a recovery in the service sector.

The growth in the provincial economy is expected to increase to 1.5 per cent in 1992.

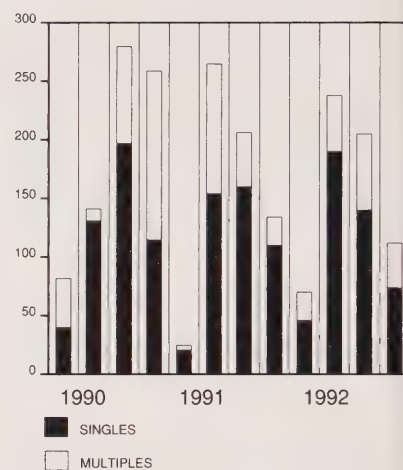
Reduced retail trade in the first half of 1991 has produced lower employment levels. This is expected to continue throughout the year with employment growth returning in 1992. For the third year in a row there will be more people leaving the Island than moving in to the province. The net result in 1991 will be a loss of 850 people due to migration. The forecast for 1992 is a loss of 300.

### Housing Market

Housing starts are forecast to decline 17 per cent in 1991 to 630. Single-detached unit starts are expected to drop to 445 from 483 in 1990. Lower mortgage rates are maintaining single family home construction close to last year's level. The high mortgage rates over the past few years caused a delay in building decisions. Now that rates are stable, Islanders are beginning to build. Apartment starts are expected to fall to 185 from 279. There will be an increase in the stock of apartments in Charlottetown during 1991 resulting in an October vacancy rate of 5.6 per cent.

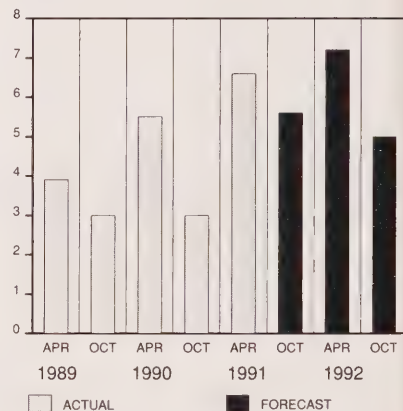
First-time home buyers will begin to take advantage of reduced mortgage

### Housing Starts Units (Qtrly) PRINCE EDWARD ISLAND



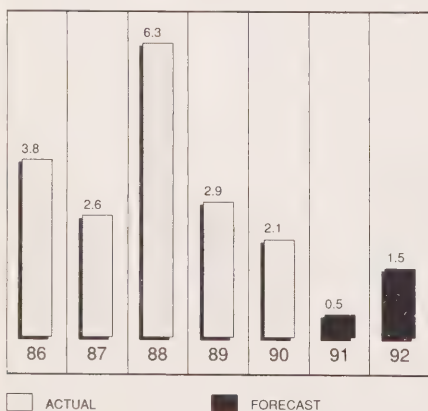
SOURCE: CMHC.

### Charlottetown Vacancy Rate (3 units or more, privately initiated) Percent



SOURCE: CMHC.

### Real Gross Domestic Product % Change PRINCE EDWARD ISLAND



SOURCE: Statistics Canada.  
CMHC: Forecast.

rates and the gradually improving economic conditions. Sales of existing homes will provide the opportunity for present owners to move on to more expensive homes.

MLS sales will increase significantly in 1991 to 850. The number of homes listed for sale will decrease as the market shifts from a buyer's to a balanced position. Sales activity will remain above traditional levels in Summerside as the homes of remaining military personnel are listed and sold.

The average MLS selling price for the Island will increase by 4 per cent to \$72,000.

In spite of weak economic conditions, starts of single family homes are forecast to be relatively strong in 1991. This leaves little room for housing starts to expand in 1992. The forecast for single-detached units is 450. The surge in single-detached units during 1991 means Islanders made the decision to build earlier in the economic cycle than in other areas of the country. This means a lower than anticipated level of starts for 1992. Fewer people leaving the province, im-

proving employment levels, and stable interest rates will entice first-time home buyers.

The increased stock of apartment units from 1990-91 in Charlottetown will keep new construction at relative-

ly low levels. Apartment starts for 1992 are forecast to decrease by 5 per cent to 175 units. As potential home owners move out of rental accommodations, there will be upward pressure on the vacancy rates. ■

### Housing Indicators

	1990	1991(F)	1992(F)
Starts	762	630	625
MLS* Sales	742	850	900
Average MLS* Price	\$69,284	\$72,000	\$75,000

SOURCES: CMHC, The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# Nova Scotia



by André Moore

## Highlights

- Nova Scotia's economic slowdown in 1991 has contributed to weakened housing demand throughout the province.
- Low housing demand will persist through the remainder of the year, with total housing starts dropping 14 per cent to 4,800 units in 1991.
- A gradual economic recovery anticipated in 1992 will result in moderate improvements in the residential construction industry, with housing starts forecast to increase six per cent to 5,100 units in the coming year.

## Housing Market Review — First Half 1991

Multiple starts increased 51 per cent to 1,160 units during the first half of 1991. This apartment construction ac-

tivity buoyed Nova Scotia's home construction industry, while, overall total housing starts declined 10 per cent to 2,073 units in the first six months of the year, compared to the first half of 1990. The new apartment construction was concentrated in Metro Halifax. Rental demand in the Metro area has kept pace with this increased apartment construction, with April's vacancy rate remaining unchanged from the 4.1 per cent rate recorded a year earlier. Demand for apartments remained strong as more people moved to the Metro area in search of employment, and poor economic conditions hindered many renters from buying their own homes.

Apartment construction has helped sustain housing starts activity, but is of little consolation to many home builders across the province experiencing reduced housing demand. Despite easing interest rates, the demand for

new homes in 1991 has been dampened by low consumer confidence, rising unemployment, reduced disposable income, and the GST. Construction of single family homes fell 40 per cent to 913 units in the first half of the year. Similarly, sales of existing homes dropped 15 per cent to 1,600 units, and average sale prices decreased one per cent to \$82,500 for the January to May period.

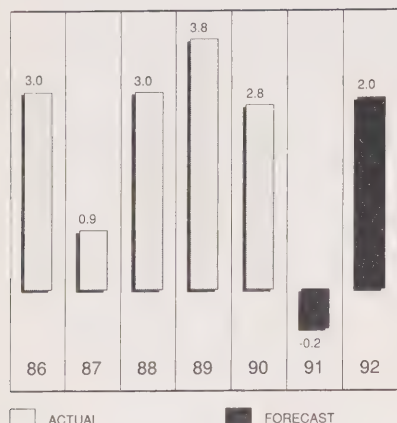
## 1991-92 Outlook

### Economy

In early 1991, roughly eight years of broad-based economic expansion in Nova Scotia ended with a recession. The recession is expected to impact the province for most of 1991, with the provincial economy contracting 0.2 per cent (in real terms), for the year. Nova Scotia will lag the



## Real Gross Domestic Product % Change NOVA SCOTIA



SOURCE: Statistics Canada.  
CMHC: Forecast.

Canadian economic recovery, with low growth around 2.0 per cent in 1992.

The provincial economy lost steam this year as consumer and business spending diminished; initially as a result of high interest rates in 1990, then by the introduction of the GST, and finally by a growing recession. It is unlikely that Nova Scotians will be able to spend their way out of the current recession, as they did in 1983, because personal incomes are constrained, and personal debt remains relatively high.

Investments in large scale projects continue to be a main source of strength in the Nova Scotia economy. Some of the large scale projects planned for 1991 include: twinning of the Trans Canada highway, the development of Cohasset and Panuke oil fields, construction of Point Aconi power plant, Westray coal mine development, and Maritime Telephone and Telegraph's multi-year modernization program. Despite an active calendar of investment activity, industrial performance in 1991 is expected to be weak overall.

Job creation has been stymied this year, even with population growth and increased participation in the labour

force. Many employers have passed on recessionary losses and uncertainties to their employees through restraint measures ranging from low pay increases to job losses. The unemployment rate is forecast to rise to 11.3 per cent in 1991, before dropping to 10.7 per cent in 1992.

## Housing Market

The dampening effect of the recession on the housing market will continue throughout the remainder of the year. Soft demand for new homes will contribute to housing starts falling 14 per cent to 4,800 units in 1991; the lowest level since 1984. The gradual economic recovery anticipated for 1992 will result in moderate improvements in the residential construction industry, with housing starts forecast to increase six per cent to 5,100 units in the coming year.

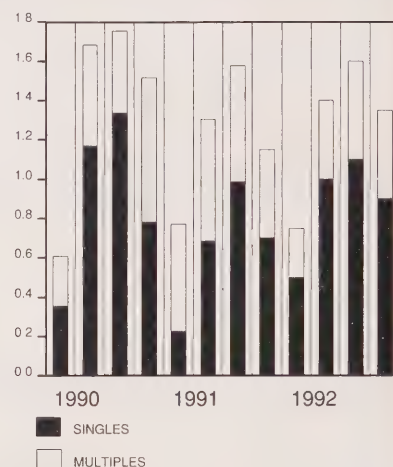
Although lower mortgage interest rates are expected to stimulate additional housing demand in 1991, this will be constrained by waning consumer confidence, increased unemployment, and limited income growth. Consequently, construction of single family homes is forecast to fall 29 per cent to 2,600 units this year. As the provincial economy rebounds in 1992, single starts will increase 35 per cent to 3,500 units, largely in response to pent-up demand.

Multiple unit construction is forecast to increase 15 per cent to 2,200 units in 1991. More apartments will be built, particularly in Metro Halifax, as rental demand remains strong this year. Conversely, the number of new semi-detached and row housing units will decline as fewer contractors build on speculation, and buyers tend to choose competitively priced single family homes. In 1992, multiple starts will drop 27 per cent to 1,600 units as developers respond to slowing rental demand, and more renters are able to afford the move to homeownership.

Sales of existing homes through the Multiple Listing Service (MLS) will

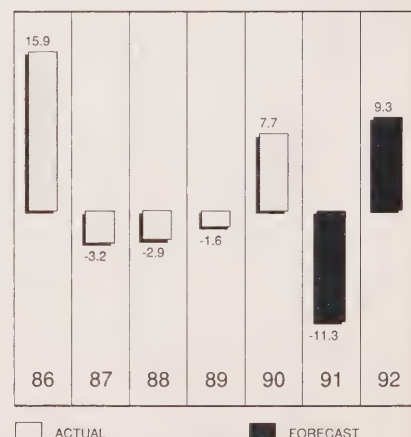
also be affected by the recessionary effects in 1991. Although lower mortgage interest rates and favorable home prices will persuade some potential buyers to make their purchases; overall, residential sales are forecast to decline 11 per cent to 5,400 units for the year. Stimulated housing demand in 1992 in response to improved economic conditions will lead to residential sales increasing nine per cent to 5,900 units. Average MLS prices are forecast to increase three per cent to \$87,300 in 1991; followed

## Housing Starts Units Thousands (Qtrly) NOVA SCOTIA



SOURCE: CMHC.

## Residential MLS\* Sales % Change NOVA SCOTIA



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

by a five per cent increase to \$91,700 in 1992.

Although rental demand in Metro Halifax is relatively strong, the market will remain slightly oversupplied throughout 1991 and 1992. The rate of apartment construction will slow in the remainder of 1991 and 1992, allowing sufficient time for the market to absorb the current inventory of apartments under construction. Similarly, demand will continue to grow but at a slower rate as more

renters are able to afford the move to homeownership. The apartment vacancy rate is forecast to seasonally

decline to 3.9 per cent in October 1991, followed by an increase to 4.4 per cent in April 1992. ■

#### Housing Indicators

	1990	1991(F)	1992(F)
Starts	5,560	4,800	5,100
MLS* Sales	6,072	5,400	5,900
Average MLS* Price	\$84,650	\$87,300	\$91,700

SOURCES: CMHC, The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# New Brunswick

by John Kalanzi

## Highlights

- Weakness in key sectors of the economy will affect the provincial housing industry in 1991.
- Housing starts in New Brunswick will decline 6.8 per cent to 2,500 units in 1991 before recovering to the 2,850 level in 1992.
- Sales activity in the resale market will rise 3.0 per cent to 3,400 while average price will increase 4.0 per cent to \$80,862.

## Housing Market Review — First Half 1991

The New Brunswick housing market continued to move downward during the first half of 1991 as a result of slower economic growth and reduced consumer confidence. Total provincial starts dropped to 875 units in the first half of 1991, a decline of 2.8 per cent from the same period last year.

Despite gradually declining mortgage rates during this period new home construction in the urban centers declined 29 per cent to 556 units compared to the same period last year. The Fredericton housing market however bucked this trend to increase by 7.5 per cent to 144 units.

The performance of the resale market during the first five months of this year was adversely affected by a soft provincial economy. Compared to the same period last year, homes sales in this market edged down 5.1 per cent to 1,322 units. The number of new listings on the market has steadily increased during the first five months of this year. As a result, the average year to date price of a resale unit sold in May inched up 1.7 per cent to \$80,537.

There were more apartments available for rent this spring than there were a year ago. The average vacancy rate in the six large urban centers increased by 0.2 percentage points to 4.4

per cent. This increase was partly the result of renters doubling up.

## 1991-92 Outlook

### Economy

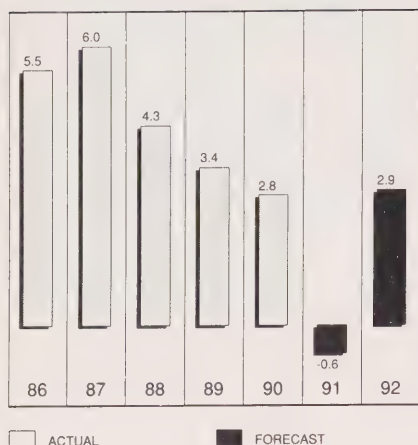
Economic growth in the resource based economy of New Brunswick is forecast to decline from 2.8 per cent in 1990 to -0.6 per cent in 1991. This will occur as a result of restricted federal and provincial government spending, weak demand for the province's major base metals, and excess capacity in the North American pulp industry. The province's economy is expected to fully recover next year as consumer confidence rebounds and the national economy expands.

The forestry industry will edge down this year as a result of excess international pulp and paper capacity and competition from overseas producers. The forestry sector will recover in 1992 after undergoing extensive restructuring to





### Real Gross Domestic Product % Change NEW BRUNSWICK



SOURCE: Statistics Canada.  
CMHC: Forecast.

reduce output capacity. The mining industry is forecast to trend downwards this year as a result of softening base metal prices. This industry will recover in 1992 as the North American automobile and construction industries rebound. The agriculture industry will decline in 1991 as a result of higher operating costs and stiff competition in the potato sector. Over the outlook period cash receipts from this sector will trend upwards as a result of an increase in the local potato processing capacity. Manufacturing and construction will register modest gains in 1991. This will occur as a result of the \$6 billion Canadian Frigate Program and on going construction at the \$965 million Belledune power plant. The service sector will register little or no growth this year. The recent provincial budget that imposed a freeze on public sector earnings combined with the Goods and Service Tax will result in a drop in personal disposable income. These policy measures, combined with increased cross border shopping, will hurt retail trade this year. In 1992 this sector will improve as consumers adjust to the G.S.T. and the economy rebounds.

Overall employment levels are forecast to decline by 1.4 per cent to

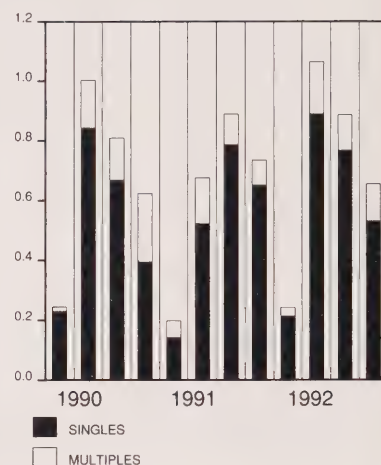
287,000 in 1991. As a result of improvements in the economy employment levels will recover to the 293,000 level in 1992. The unemployment rate is forecast to increase in 1991 to 13.0 per cent before declining to 12.0 per cent in 1992. The net out-migration experienced in 1990 will be reversed in 1991 as a result of declining job opportunities in central Canada. A positive annual in-migration of 550 is forecast for New Brunswick this year before tapering off in 1992.

### Housing Market

Despite favorable interest rates and marginal net in-migration levels, the New Brunswick home construction industry will continue to decline in 1991. Total residential construction is forecast to edge down 6.8 per cent to 2,500 units this year before recovering to the 2,850 unit mark in 1992. The 1991 downturn will occur as a result of continuing weakness in key sectors of the economy and low consumer confidence. Single-family units will decline from the 2,137 unit level registered last year to about 2,100 units this year. Despite tight vacancy rates in some urban centers of the province, multiple starts are forecast to edge downwards this year by close to 30 per cent to 400 units. The decline in multiple starts will result from low investor confidence.

Continued improvements in affordability will entice homebuyers back into the housing market by years end. An upswing in housing activity recorded in the second quarter of this year signalled the beginnings of this modest recovery. Most units built in the new market this year will be pre-sold move up homes. Minimal levels of speculative construction during the second half of 1991 will result in a limited inventory of units on the market by years end. The G.S.T. that will increase the price of new homes and erode personal disposable income will

### Housing Starts Units Thousands (Qtrly) NEW BRUNSWICK

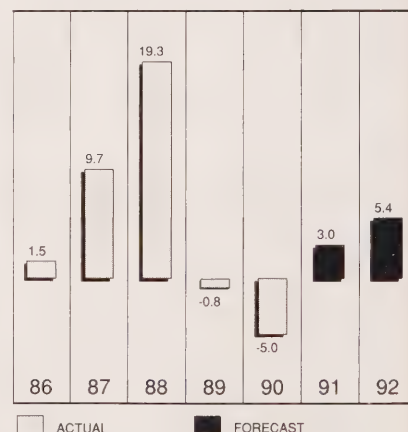


SOURCE: CMHC.

hurt the new market over the forecast period. The number of housing units produced in New Brunswick in 1991 will fall short of estimated housing requirements. Projected provincial housing requirements this year are 3,500 units. These requirements are based on estimated population growth and new household formation rates.

The resale market that had been trailing last years levels posted an increase in demand during the second quarter as a result of improved

### Residential MLS\* Sales % Change NEW BRUNSWICK



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



affordability. This increase in demand is driven primarily by first-time buyers who are taking advantage of favorable interest rates and softer house prices. Exemptions from the G.S.T will further stimulate demand in this market. Consumers who were shut out of the market in the late 1980's are now able to purchase homes at the low end of the spectrum. The number of MLS sales this year will edge up 3.0 per cent to 3,400 units. In 1992, MLS sales will increase a further 5.4 per cent to 3,600 units. The average price of an MLS unit will rise 4.0 per cent to \$80,900 this year before moving up an additional 4.4 per cent to \$84,400 in 1992.

Although the average spring vacancy rate in the six major centers was 4.4

per cent, a few well targeted rental projects will be starting this year. Private rental and condominium projects that were on hold will resume this year as interest rates level off and project viability reach's its peak. Fredericton, which had a spring vacancy rate of 2.9 per cent is forecast to register an increase in the construction of multi-family rental units while Moncton will

attract a number of up scale condominiums this year. The Saint John metropolitan area on the other hand is forecast to record little or no new private rental construction this year. Lagging rental rate increases combined with a 4.0 per cent vacancy rate will account for this poor performance. ■

#### Housing Indicators

	1990	1991(F)	1992(F)
Starts	2,683	2,500	2,850
MLS* Sales	3,316	3,400	3,600
Average MLS* Price	\$77,752	\$80,900	\$84,400

SOURCES: CMHC, The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# Québec

by Anh Trinh



## Highlights

- In spite of a strong rebound of housing starts in Quebec in the second quarter of 1991, the recovery of housing construction is expected to be modest in 1992.
- The recovery will be accompanied by weak increases in house price and high vacancy rates.

## Housing Market Review First Half 1991: Recovery is Underway

After having bottomed out early in 1991, the housing market in Quebec,

as expected, started to recover in the second quarter, influenced by a decline in interest rates, provincial programs promoting residential construction and sustained positive migration. The number of housing starts, which reached a low point of 26,000 (seasonally adjusted) in the first quarter, bounced back to 51,000 in the second quarter. This rebound is not sufficient, however, to offset the weak performance in the first quarter. As a result, the number of actual housing starts for the first six months of 1991 (20,501) remained 24 per cent below the number for last year at the same time.

The resale market also showed signs of a major upturn. Following a nosedive of 28 per cent in the first quarter, the volume of MLS sales recorded an increase of 15 per cent in the second quarter, along with a 2.5 per cent increase in the average house price. A renewed demand for homeownership, combined with the provincial "Deal Estate Program", boosted the construction of houses and condominium units in the under \$130,000 range. Nearly 80 per cent of the houses sold in the first quarter were under this price threshold. On the other hand, the strong demand for homeownership further weakened the rental housing market which, in spite

of a large reduction in production, still showed a high vacancy rate of 5.7 per cent.

## 1991-92 Outlook

### Recession more severe than forecast

The 1991 recession in Quebec has been worse than projected. Forecasters are now talking about a 1.6 per cent decline in the GDP in 1991, followed by a modest recovery or 2.8 per cent next year as exports pick up and consumer confidence starts to improve. The major contraction of the Quebec economy in 1991 is due to the postponement of the phase II James Bay construction work, to the collapse of the manufacturing sector and to extreme prudence by consumers. A loss of 65,000 jobs is forecast for 1991, followed by a gain of 35,000 in 1992. The increase in the number of jobs in 1992 will not be sufficient, however, to significantly reduce the unemployment rate which will remain around 12 per cent.

From a demographic perspective, net international migration will continue to feed the demand for housing in Quebec in 1991 and 1992. In spite of weak economic growth and the

chronic employment problem, the political will to increase the quota of immigrants to Quebec seems firm.

A net influx of 40,000 immigrants is forecast for the next two years. However, this increase will be offset by new losses of 14,100 and 18,200 people due to interprovincial migration, fuelled by economic and political uncertainty. On the whole, Quebec will record net migration gains of 25,900 and 21,800 for 1991 and 1992 respectively. The potential demand for housing in Quebec is estimated at 46,400 in 1991 and at 45,100 in 1992.

### A Modest Recovery for Housing

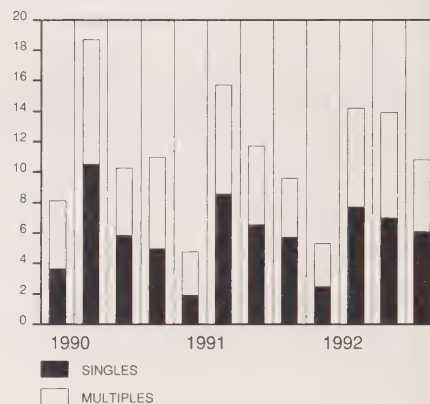
In 1991, in spite of the economic recession and job losses, many Quebec households are benefiting from provincial programs to become homeowners. Even if single-family starts are forecast to drop by 9 per cent to 22,700 in 1991, over 80 per cent of the new houses sold will be below the \$130,000 price threshold set for the "Deal Estate Program". The large stock of unoccupied houses, particularly in the "high end" of the market, will continue to impede any rapid expansion in this market segment. As of the end of June 1991, there were still over 2,800 new and vacant houses in Quebec, 4 per cent more than last year at the same time. Moreover, nearly 60 per cent of these houses had been vacant for over six months. In 1991 total housing starts are forecast to decline by 13 per cent to 41,800.

For 1992, in spite of the economic upturn, the revival of the job market and the strong potential demand for housing, the recovery of the housing market and the residential construction will be modest. The total number of housing starts will only increase by 5.7 per cent to reach 44,200 units in 1992. The phase-out of the provincial Home Ownership Downpayment Assistance Program and the Deal Estate Program, combined with the introduc-

tion of the provincial GST on residential construction and high vacancy rates, will slow down the rate of residential construction expansion in 1992.

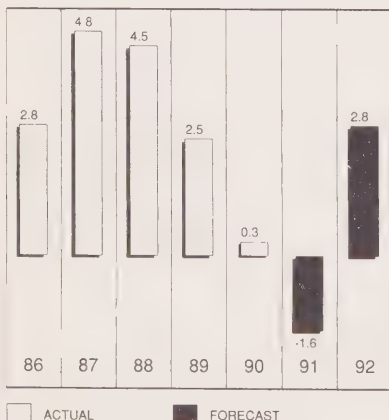
With restoring consumer confidence, a slight increase of 2.6 per cent is projected in the number of single-family starts for next year, along with an average new house price increase in the range of 4 per cent. The strong homeownership demand in 1991 and 1992 will mean that first-time buyer condominium and semi-detached units will be back in the

### Housing Starts Units Thousands (Qtrly) QUÉBEC



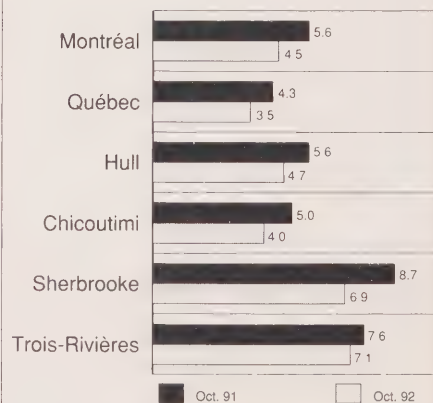
SOURCE: CMHC.

### Real Gross Domestic Product % Change QUÉBEC



SOURCE: Statistics Canada.  
CMHC: Forecast.

### Vacancy Rate by Urban Area (3 units or more, privately initiated) Per cent



SOURCE: CMHC



large urban centres. In 1991, 3,900 condominium unit starts are forecast, an increase of 13.1 per cent over 1990, followed by another increase of 7.7 per cent in 1992 (4,200 units). Starts will be sustained in the second half of 1991 by buyers wishing to take advantage of the "Deal Estate Program".

Buoyed by low interest rates and by increasing consumer confidence, the recovery in the demand for existing houses, combined with the withdrawal from the market of numerous properties, will gradually restore some balance to the resale market in 1992. The volume of MLS sales, which collapsed in the first quarter of 1991, will rebound in the second half to end the year with a total volume of 29,200, a 4 per cent increase over last year. Another 6 per cent increase is forecast for 1992, bringing the total MLS volume to 31,000. Along with the

market recovery, average price increases of 2.4 per cent and 5 per cent are expected in 1991 and 1992 respectively.

The trend towards homeownership will mean further deterioration of demand in the rental unit market. Vacancy rates in all the large metropolitan regions will exceed the 4 per

cent level in each of the next two years and will discourage the production of new rental units. A decline of 26.5 per cent in rental unit starts is projected in 1991 or 11,450 units followed by an increase of 12.7 per cent in 1992. ■

#### Key Provincial Indicators

	1990	1991(F)	1992(F)
GDP	0.3	-1.6	2.8
Employment (000)	3,055	2,990	3,025
Unemployment Rate (%)	10.1	12.2	11.8
CPI (% Change)	4.3	7.4	4.5
Starts	48,100	41,800	44,200
MLS* Sales	28,000	29,200	31,000
Average MLS* Price	\$101,000	\$103,300	\$108,500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# Ontario

by Dallard Runge



## Highlights

- Employment increases in the second quarter signalled the end of the Ontario recession
- Resale markets rebound in 1991, heralding consumer confidence
- Higher levels of new home construction are already apparent
- Modest price increases will ensure higher construction and resale activity in '92

## Housing Market Review — First Half 1991

Lower house prices and reduced interest rates combined to make housing more affordable than it has been for several years. First-time purchasers, previously frozen out of the housing market, re-entered the resale market in early 1991. Fueled by Toronto purchasers looking for starter homes, the resale market recovery began in Oshawa, with January sales almost one third higher than a year earlier. Toronto resales, especially in the

starter home range under \$250,000, rebounded in February and by May 1991 were more than double their 1990 levels. By the end of the first half of 1991 the recovery in resale housing was also evident in Hamilton, Kitchener, London, Ottawa and Windsor. In most markets sales were strongest initially in the lower price ranges. Resale house prices showed modest increases.

Housing starts did not respond as quickly to lower interest rates as did the resale market, despite continued



high migration to the province. New home construction in Ontario touched bottom in the first quarter of 1991 at 32,000 starts, seasonally adjusted at annual rates. The re-entry of the first-time buyers into the resale market was echoed in sales of new homes to move-up buyers by the end of the first quarter. By the end of the second quarter, seasonally adjusted total starts had risen to 47,000. Single starts have been on the rebound since the February low; but, by the end of the second quarter, they were still less than half of last year's. Multiple starts, bolstered by assisted housing, showed steady performance but remained well below last year's levels.

By April 1991, the exodus of first-time buyers from rental apartments to new homes was reflected in CMHC's Rental Market Survey which recorded increased vacancies in most Ontario rental markets. The Toronto vacancy rate reflected the highest level in more than a decade.

## 1991-92 Outlook

### Economy

The 1990-91 recession was concentrated in Ontario, where employment losses were the largest since the

Great Depression. Total employment in Ontario, seasonally adjusted, fell by 260,000 persons or 5.2 per cent from its peak. The decline in Ontario employment was concentrated in manufacturing, construction, and wholesale and retail trade. Employment levels in the manufacturing sector declined by 202,000 persons on a seasonally adjusted basis, or 18.8 per cent from peak to trough.

Spending in the mid 80's left consumers with heavy debt leading into the recession. High interest rates reduced consumer borrowing. As consumer confidence declined, consumers stopped purchasing higher priced items such as automobiles and homes. Ontario new home construction showed the steepest and largest decline on record.

A number of leading indicators point to an economic recovery underway in Ontario. Passenger vehicle sales began to increase in December 1990. The trend in resale activity has been up since December 1990. Single family housing starts accelerated in March. Monthly employment figures, seasonally adjusted, started growing in March, thus signalling the end of the Ontario recession. By May, employment levels in the hard hit construction, manufacturing and wholesale and retail trade sectors were all up. Provincial government spending will further stimulate the economy and export sectors will improve in Ontario as economic recovery in the United States progresses.

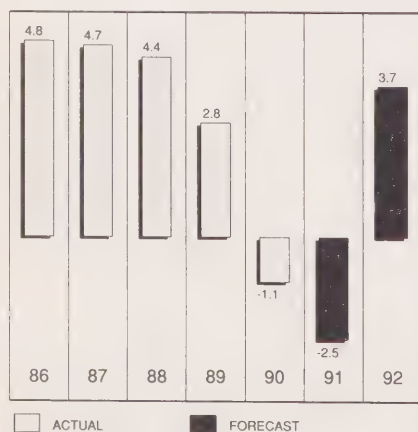
Migration to Ontario is expected to affect housing markets significantly. Most migrants coming to Ontario will be from outside Canada. Net international migration will set new records this year, and in 1992, will be even higher. This increased migration will first lower rental vacancy rates and in two to four years will stimulate private residential construction.

## Housing Market 1991-92

Improved affordability and improved consumer confidence due to employment gains, should induce a stronger recovery in housing in the second half of this year and continue into next year. Sales of existing homes will return to near 1989 levels. Toronto and Oshawa, hardest hit by the recession, will maintain their lead in year over year increases in sales. Hamilton and Kitchener, will also show strong improvement later this year as the recovery in manufacturing continues. All markets in Ontario will have recovered by year end. The move-up buyer should be more prevalent in the fall market.

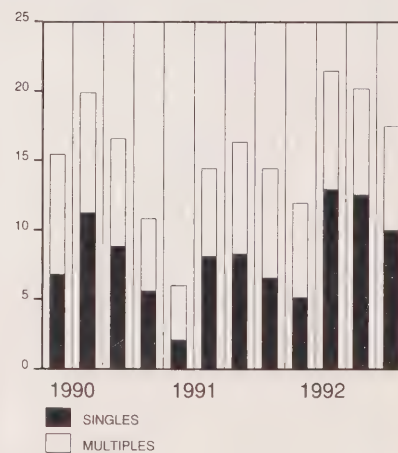
The long term construction trend towards single family homes, interrupted by the recession, will resume as the baby boom move-up buyers renew their interest in higher priced homes. The chart shows the impact of this group over time. Rental apartment construction increased in the late 60's, shifting to modestly priced condominium apartments in the early 70's. First-time buyer semi-detached and row houses construction peaked in the mid 70's. The current shift to higher priced single detached homes and condominium apartments began

**Real Gross Domestic Product  
% Change  
ONTARIO**



SOURCE: Statistics Canada.  
CMHC: Forecast.

**Housing Starts  
Units Thousands (Qtrly)  
ONTARIO**



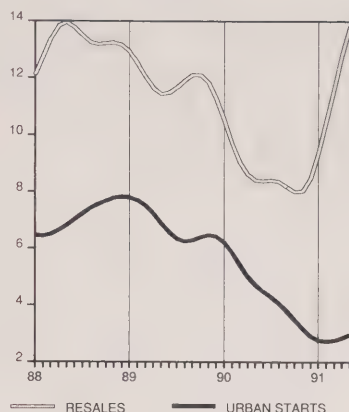
SOURCE: CMHC.

after the 1982 recession. This trend will continue until about 1996.

This year, single family home construction will reach 25,000 dwellings. A further 62 per cent increase is projected for 1992. Multiple starts, at 26,200 in 1991, will be within 13 per cent of last year's levels. They will continue to gain strength as inventories of investor-owned condominium units are sold this year and condominium construction activity revives next year. As condominium financing is difficult to obtain until a large portion of the project is sold, developers will shift to building smaller condominium projects to reduce the marketing time prior to commencing construction. As a result, multiple starts will reach 30,400 in 1992. This will raise total starts to 71,000 in 1992. Toronto will lead the recovery in residential construction since nearly all international migrants to Ontario settle there.

Private rental construction will decline in 1991 because of higher

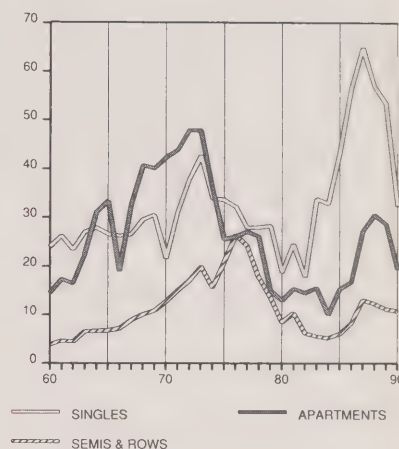
**Ontario Resales Lead Starts  
(by approx. 4-5 months)  
(000's monthly)**



SOURCE: CMHC.

vacancy rates and the shift by builders to produce assisted government sponsored housing. Assisted rental production will more than double in 1991 due to the increase in funding for pro-

**Ontario Housing Trends  
(000's annually)**



SOURCE: CMHC.

vincial social housing programs. This higher level of assisted rental housing construction is expected to carry through into 1992. ■

## PROVINCIAL HOUSING OUTLOOKS

# Manitoba

by Richard Goatcher

## Highlights

- Provincial economy declines by 1.4 per cent in 1991, recovers in 1992
- Demand for new homes improves in 2nd half of 1991
- Total starts fall by one half to 1,700 in 1991, increase to 2,400 in 1992
- Recovery in resale markets continues into 1992

- Winnipeg's rental markets experience lower vacancies

## New Home Construction Far Below Previous Year's Pace

Demand for housing in Manitoba remained weak in the first half of 1991, due to low consumer confidence, a declining job market, and continued loss of people to other

provinces. Meanwhile, weak sales of new houses and high inventories of existing units kept competition high among builders and price increases minimal. As a result, total housing construction in the province's urban areas dropped by 70 per cent in the first six months. Single-family activity fell substantially, with a number of the province's house builders leaving Manitoba or going out of business.



There have been almost no apartment or row housing unit starts in Manitoba so far in 1991, as continued high vacancy rates and weak condominium resales in Winnipeg combined to reduce incentives to new construction. However, this virtual absence of new apartment construction combined with modest increases in demand helped to reduce apartment vacancy rates in Winnipeg to below six per cent during early 1991.

Lower mortgage rates and improved affordability provided a modest boost to resale activity in Manitoba, beginning in the second quarter of 1991. However, due to the weak demand in the first quarter and continued buyers' market conditions, residential Multiple Listings Service (MLS) sales for the first six months of 1991 remained well below the pace set in the same period a year ago. Average MLS resale prices reported by the province's four MLS boards also recovered in the second quarter but remained down from last year's values.

## 1991-92 Outlook

### Economic Picture Bleak for Remainder of 1991

The economic situation in Manitoba has deteriorated due to the 1990-91 Canada-wide recession. Weak commodity prices, low consumer confidence, and declines in both the province's goods-producing and service industries will cause real Gross Domestic Product (GDP) to shrink by 1.4 per cent in 1991, down from a 3.0 per cent growth rate in 1990. Population growth in Manitoba will remain modest in 1991, as people continue to leave in search of better job prospects in other provinces. Declining exports, reduced investment and weak consumer spending will cause employment to fall by 5,000 jobs in 1991, representing a 1.0 per cent drop.

Performance of the retail and housing sectors in the early months of

1991 demonstrate the general pessimism of Manitoba consumers. However, according to the May 1991 Prairie Research Associates monthly poll of consumer attitudes, Manitobans showed a growing optimism in the provincial economy and their personal finances in the second quarter. While the mood is still negative overall, lower interest rates and the likelihood of a good crop are helping to support the fragile view that the worst of the 1990-91 recession is over.

In 1992, stronger consumer confidence, and a recovery in the North American economy will improve economic growth to the 2.0 per cent level. While the bumper grain harvest experienced in 1990 is not expected to be repeated in 1991-92, payouts under the NISA (Net Income Stabilization Account) and GRIP (Gross Revenue Insurance Program) programs will help to counter the effects of low commodity prices on overall consumer confidence in rural areas. The province's goods-producing industries, such as manufacturing, mining and forestry, will experience stronger employment growth in 1992, due to growing consumer demand and the general nation-wide recovery. However, improvements in provincial residential construction activity will be hampered by a building industry that has been severely weakened by the recession.

### Some Improvement in New Home Market Anticipated by 1992

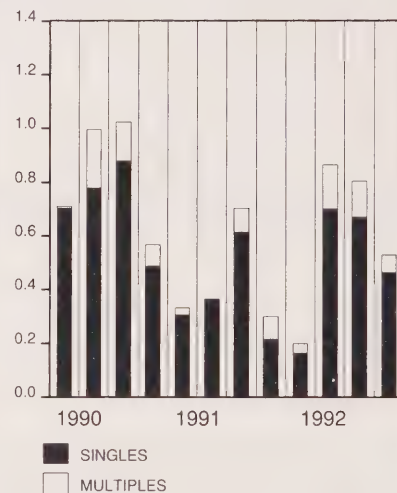
The severity of the recession's impact on housing construction in the first half of 1991 will limit the amount of recovery seen by year-end. Manitoba's housing starts will drop by one half in 1991 to 1,700 units, representing the lowest level of activity on record. An improved economy and increased consumer optimism will allow total residential construction to reach 2,400 units in 1992. Generally high vacancy

### Real Gross Domestic Product % Change MANITOBA



SOURCE: Statistics Canada.  
CMHC: Forecast.

### Housing Starts Units Thousands (Qtrly) MANITOBA

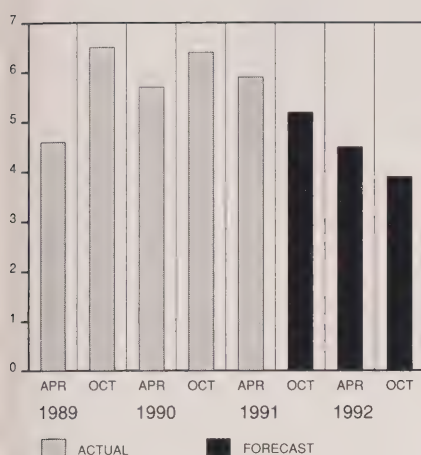


SOURCE: CMHC.

rates across the province will keep row housing and apartment construction at very low levels this year, with only modest improvements forecast for 1992. Single-family starts will experience a 50 per cent decrease in



**Winnipeg Vacancy Rate  
(in apartment structures 3  
units and over)  
Percent**



SOURCE: CMHC.

1991, recovering to near 2,000 units next year.

In Winnipeg, extremely weak housing activity in the first half of 1991 will be followed by a modest improvement in the third and fourth quarters. Single-family starts will drop to a near record low of 950 units this year, before recovering to 1,400 units in 1992. Higher construction activity will increase new house prices in Winnipeg during the remainder of 1991, as

higher priced land and materials work through the system. The Statistics Canada New House Price Index is forecast to end 1991 up by 1.5 per cent from last year's levels, with continued modest price increases anticipated for 1992.

After months of sustained weakness, Winnipeg's residential resale market began to recover in the second quarter and should experience moderate sales increases by year-end. Improved affordability associated with lower mortgage rates will allow sales in Manitoba's four MLS boards to increase modestly in 1991 to 9,650 units. Generally buyers' market conditions will prevail across the province,

however, and resale house prices will remain largely unchanged, recovering to 1990 levels by year-end. Stronger economic growth and consumer optimism will further raise 1992 MLS sales in Manitoba to 10,900 units, with average MLS prices increasing modestly to near \$81,300.

Lower supplies of new apartments and slight increases in demand associated with the recovery will result in steady declines in Winnipeg's rental apartment vacancy rates. The rate in Winnipeg will fall to 5.2 per cent by October 1991, and 3.9 per cent by October 1992. Rent levels will continue to rise, however, below the general rate of inflation. ■

**Key Provincial Indicators**

	1990	1991(F)	1992(F)
Real Gross Domestic Product			
(% Change)	3.0	-1.4	2.0
Employment (% Change)	1.5	-1.0	1.0
Unemployment Rate (%)	7.2	7.7	7.3
Housing Starts			
Total	3,297	1,700	2,400
Singles	2,847	1,500	2,000
Multiples	450	200	400
MLS* Sales	9,356	9,650	10,900
Average MLS* Price	\$79,961	\$79,700	\$81,300

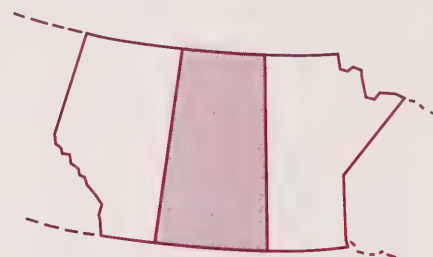
SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Saskatchewan

by Tim Gross and Paul Caton



## Highlights

- Weak provincial economy and low consumer confidence continue to suppress demand for housing in Saskatchewan.
- Saskatchewan housing starts are forecast to be the lowest on record at 800 units in 1991 and then improve to 1,250 units in 1992.
- Buyers situations in resale markets are forecast over the next eighteen months for all cities in Saskatchewan.
- Rental market vacancy rates to decline modestly in 1991 and 1992.

## Housing Starts Down 40 Per Cent

Housing starts in Saskatchewan continue to fall. In the first half of 1991, housing starts were 40 per cent below 1990 levels which had been the lowest on record. There were almost no starts of apartments or row houses in the first half of the year. The primary reason for the lack of new construction is poor economic conditions. Weak housing markets exist throughout the province. In fact, new housing construction has virtually stopped in all cities and towns outside Regina and Saskatoon.

Throughout Saskatchewan, the resale market favours buyers. Declines in interest rates have not resulted in significant improvement in resale

markets because consumers are worried about economic prospects in the province.

In the rental market, Regina and Saskatoon experienced fewer apartment vacancies because of slight population growth and no new rental apartment construction. Although major construction projects in the Lloydminster and Estevan have temporarily reduced vacancies, rental markets have not improved in most other cities.

## 1991-92 Outlook

### Little Improvement in Economy Expected

Saskatchewan's economy is forecast to decline by one per cent in 1991 and then improve by 0.5 per cent in 1992. The forecast decline in 1991 is based on the assumption of lower agricultural output. However, slight employment growth is forecast in 1991 and no employment gains are anticipated in 1992. More jobs in 1991 are resulting from major industrial construction projects near Regina, Lloydminster, Estevan and Meadow Lake. In 1992, these projects will be winding down and employment in agriculture, mining and services is expected to experience little change.

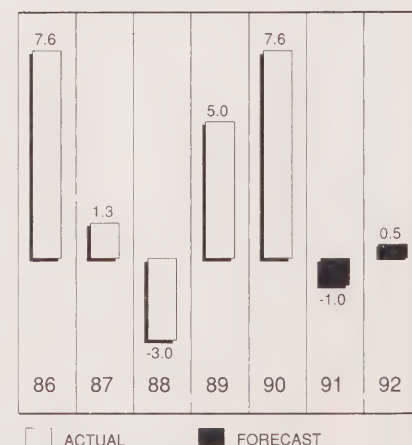
In spite of government safety net programs such as the Gross Revenue Insurance Plan (GRIP) and the Net Income Stabilization Account (NISA),

farm incomes will decline in 1991 and 1992 resulting in sluggish farm investment and consumer spending. This means that there will be little employment opportunity and thus weak demand for housing in Saskatchewan's service centers.

Consumer confidence in the province has been eroded by economic situations in both the province and the country. In Regina, consumer confidence has been further eroded by the provincial government's announcement of job cuts and decentralization of more than 1200 jobs to smaller cities and towns.

In 1991, 5,500 more people will leave the province than will come to it. This is however, an improvement from 1990 when the net outflow of

## Real Gross Domestic Product % Change SASKATCHEWAN



□ ACTUAL ■ FORECAST

SOURCE: Statistics Canada.  
CMHC: Forecast.

people was almost 14,000. Not as many people will leave Saskatchewan in 1991 because of limited job opportunities in other provinces. In 1992, improved job prospects in Alberta and Ontario are expected to result in 6,500 more people leaving the province than entering it.

## Fewest Starts On Record

There is no indication that Saskatchewan housing markets will improve over the next six months because of weak consumer confidence and lack of employment growth. In fact, housing starts are forecast to be the lowest ever recorded in Saskatchewan. In 1991, total housing starts will be 800 units compared to 1,417 in 1990. Starts will improve to 1,250 units in 1992 as a result of stronger consumer confidence gained from a better national economy, improved certainty in the provincial economy following the election and continued low mortgage rates.

Of the few housing starts that will occur in 1991 and 1992, most will be larger single-family houses along with a small number of luxury and semi-luxury condominiums. An increasing number of households in the 35 to 54 and the over 55 age groups mean that the majority of the demand for new

housing will come from move-up buyers, empty-nesters and seniors.

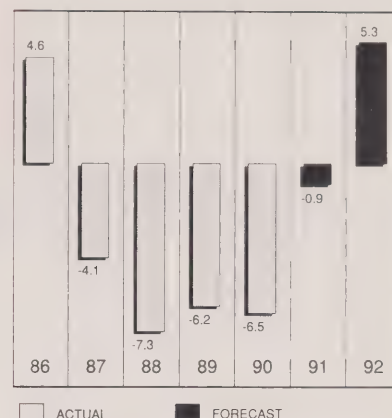
The new first-time-home-buyer market has virtually disappeared from all centres in the province as this age group (19 to 35) has declined significantly in size as a result of both aging and outmigration from the province. Moreover, the relatively good rental rates and affordable resale house prices mean that first-time home buyers are either remaining in rental accommodation or buying existing housing units.

Despite the low level of construction activity, Statistics Canada's New House Price Index has shown slight annual increases of less than two per cent recently. Although the index is expected to decline by one per cent in Saskatoon in 1991 as a result of the slow new home market, it will rise by 2.5 per cent in Regina as builders are forced to pass higher material and land costs on to new home buyers.

Although the resale housing market has been weak over the last couple of years, it remains in much better shape than the new housing market.

The average resale house price in Saskatchewan will decline slightly in 1991 and increase modestly in 1992. All cities in Saskatchewan will experience buyer's markets over the next year and a half as listings remain high

## Residential MLS\* Sales % Change SASKATCHEWAN



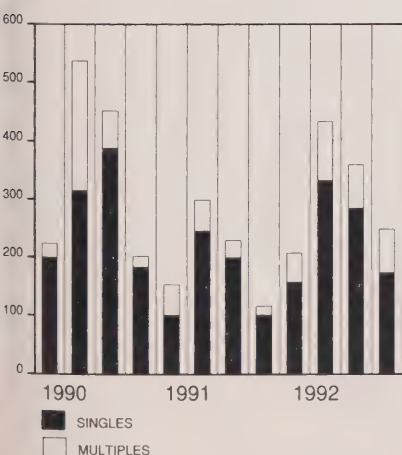
SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

compared to sales. Nevertheless, modest improvement in sales activity is anticipated in the second half of 1991 and 1992 as a result of relatively affordable house prices and lower mortgage rates which will attract some time first-time home buyers to the market.

Since the timing of the jobs to be moved from Regina is not yet known, it is difficult to estimate the impact of the provincial government's decentralization plan on the new and resale housing markets. Nevertheless,

## Housing Starts Units (Qtrly) SASKATCHEWAN



SOURCE: CMHC.

## Key Provincial Indicators

	1990	1991(F)	1992(F)
Real Gross Domestic Product			
(% Change)	7.6	-1.0	0.5
Employment (% Change)	0.6	0.9	0.0
Unemployment Rate (%)	7.0	7.4	8.1
Housing Starts			
Total	1,417	800	1,250
Singles	1,087	650	950
Multiples	330	150	300
MLS* Sales	6,405	6,350	6,685
Average MLS* Price	\$68,963	\$68,370	\$69,880

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



the announcement of the program has further weakened demand for new housing and has resulted in little improvement for resale housing even through interest rates have declined substantially.

Rental markets in Regina and Saskatoon will improve modestly in 1991

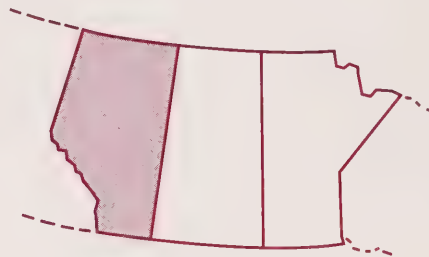
and 1992 as a result of slight population growth and almost no new rental construction. In Regina for example, workers moving to the city for employment at industrial and office construction projects will aid in bringing down the vacancy rate. Although the vacancy rate is 8.0 per cent in Saskatoon,

there is a scarcity of rental units that appeal to seniors and empty nesters. ■

## PROVINCIAL HOUSING OUTLOOKS

# Alberta

by Laurie Scott and David Peever



## Highlights

- Alberta avoids the recession in 1991, but new construction loses momentum.
- Starts of new homes expected to fall 27% this year, but will rebound in '92
- An active real estate market to be supported by steady employment growth and low mortgage rates
- Consumers turn to smaller houses, avoid big mortgages

## Soft Market For New Houses in First Half of 1991

Alberta's housing market turned in a mixed performance during the first half of 1991. New construction was extremely limited, particularly during the first quarter. Not only was the number of single family houses started down more than 60 per cent from the first quarter of 1990, but construction of other types of units plummeted as well. The rental market was also

weak. CMHC's April vacancy survey found significantly higher vacancy rates in virtually every Alberta city. The province-wide vacancy rate rose to 4.8 per cent, from 2.7 per cent in October of last year. The increase is due mainly to a strong movement into starter homes from the rental market.

On the other hand, the real estate industry has had a good year so far. The number of sales registered through the Multiple Listing Service (MLS) has remained near, and in some cases above, the banner levels of 1990.

Prices of homes sold in Alberta have resisted downward pressure even though the number homes for sale has been at almost record levels. The relatively strong performance of the real estate market stems from the continued migration of people to Alberta, falling mortgage rates, and incentives offered through a provincial government program which expired at the end of February. However, the erosion of consumer confidence in the first six months of the year has weakened demand for both existing and new homes, although the effects have cer-

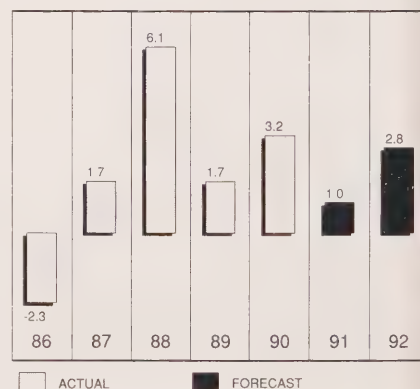
tainly been most dramatic in new construction.

## 1991-92 Outlook

### Economy Buoyant in '92

After several months of very slow growth, the Alberta economy will strengthen in the latter part of 1991 and through 1992. Provincial gross domestic product, after accounting for

## Real Gross Domestic Product % Change ALBERTA



SOURCE: Statistics Canada.  
CMHC: Forecast.

inflation, will rise 1.0 per cent in 1991 and 2.8 per cent in 1992. Major projects, both planned and underway, in forestry, petrochemicals and energy will contribute to this growth. The climate of lower interest rates will strengthen consumer confidence and foster economic growth in other areas, such as residential construction.

Alberta will continue to gain from migration. In 1990 21,770 more people settled in the province than moved away. Net migration should total 20,500 in 1991, falling to 17,500 in 1992. In 1992, improved economic conditions elsewhere in Canada will make fewer people want to leave their home provinces; migrants from other countries will increase slightly in number, but will not fill the gap. Despite slower migration, however, employment growth will not keep pace. The Alberta economy will create 12,000 new jobs in 1991, and 21,000 in 1992. With the steady flow of new arrivals, and the natural increase of the existing population, the unemployment rate will rise from 7 per cent last year to 8.1 per cent in 1991, and then decline only slightly to 7.9 per cent in 1992.

### New Construction to Recover

After a slow first half, construction of single family homes is poised to recover in the rest of 1991. Lower interest rates, stable prices, and continued migration to Alberta will strengthen the market for new houses. But in spite of the recovery activity will still fall short of the 1990 level new construction will be 27 per cent lower for the year. The reduced pace of new construction is largely a consequence of the poor consumer confidence early in the year the last six months will see an average of 1,200 singles started in the province each month. The continuation of these positive influences, particularly the relatively attractive mortgage rates, will mean 12,700 new single-family homes

will be started in 1992, a 22 per cent increase.

One effect of the economic downturn and weaker consumer confidence has been a shift in demand toward more modestly priced homes. Over the past two years, buyers have favoured larger, more expensive "move-up" homes. In the coming months, an increasing number of home purchasers will move away from the higher end of the market, preferring to carry smaller mortgage debt loads. The result will be pressure on developers and builders to market smaller, lower-priced lots and houses.

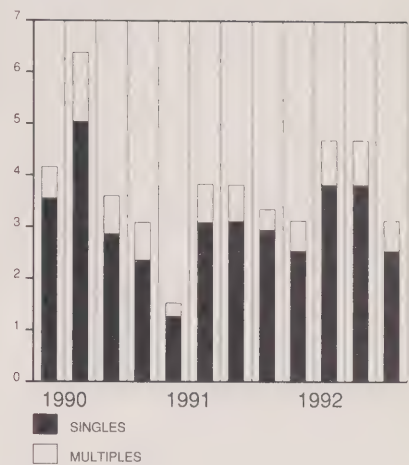
This shift in preferences will mean that the steep price increases of the past few years will not occur in 1991 or 1992. The slower market and reduced demand for new housing will result in increases of less than 4 per cent in the New House Price Index in both Edmonton and Calgary in 1991. In 1992 price levels will be higher as the market strengthens; the price index will increase by approximately 5 per cent in both of the major centres.

The recovery in multiple-family dwelling construction will be less dramatic. Higher vacancy rates have so far discouraged the construction of new rental accommodation; the outlook for relatively slow vacancy rate declines and consequently modest rent increases will lead to comparatively little rental construction, especially in Calgary. Although the new condominium market will remain weak in Calgary, Edmonton's condominium market has room for growth and will see some expansion over the next 18 months.

### Rental Market to Tighten

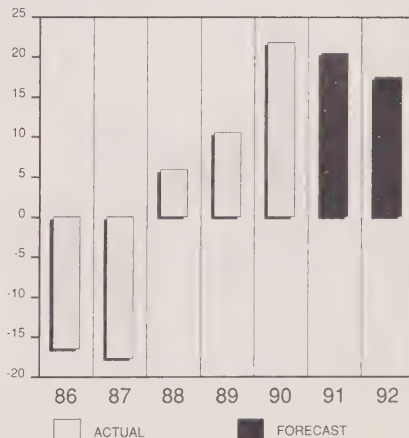
The rental market has seen the peak in vacancy rates. Over the next eighteen months a better balance will be struck between landlords and tenants compared to the current situation, which tends to favour renters. The slow rent growth and limited new construction

**Housing Starts  
Units Thousands (Qtrly)  
ALBERTA**



SOURCE: CMHC.

**Total Net Migration  
Thousands  
ALBERTA**



SOURCE: Statistics Canada.  
CMHC: Forecast.

of recent years should work together to tighten the market in the future. This tendency will be even stronger in Edmonton, where many of the people working on the industrial projects currently under way will need rental accommodation. Edmonton's vacancy rate is expected to approach 2 per cent by the end of 1992, while Calgary's will dip below 3 per cent.

## Real Estate Sales Up, Prices Steady

Alberta's real estate market promises to be strong in 1991, with a 10 per cent increase in the number of sales compared to 1990. The momentum gained in the first half of the year will carry on into 1992, fuelled by more new arrivals from out-of-province and stable mortgage rates. At the same time, the large number of listings will keep price increases under control. In Edmonton, the average price of a MLS sale will rise 7 per cent, to \$108,000; Calgary will see a smaller price increase, to just over \$130,000.

Sales will decline somewhat in 1992, due to these higher prices; however, with continued strong demand for existing homes, the number of

sales will remain high at over 34,000. Continued price growth will result; Edmonton will see an 8 per cent increase

in price while in relatively more expensive Calgary the increase will be 5.5 per cent. ■

### Key Provincial Indicators

	1990	1991(F)	1992(F)
Real Gross Domestic Product			
(% Change)	3.2	1.0	2.8
Employment (% Change)	1.4	1.0	1.7
Unemployment Rate (%)	7.0	8.1	7.9
Housing Starts			
Total	17,227	12,500	15,600
Singles	13,809	10,400	12,700
Multiples	3,418	2,100	2,900
MLS* Sales	33,085	36,400	34,210
Average MLS* Price	\$108,675	\$112,860	\$119,240

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# British Columbia

by Helmut Pastrick



### Highlights

- Housing market turnaround in the first half record sales level set and housing starts take off
- Economic recovery at hand and gains momentum in 1992
- Housing market recovery next year, strengthened by economy

### Pivotal First Half Has Record Sales

The housing market turned up suddenly and sharply in the first half of 1991. Housing sales in the second quarter were at a record level, exceeding the old record set in late 1989. This was unusual for a housing market which was in a recession only six months earlier. Sales records are usually set much later in the upswing of the housing cycle. A combination of factors contributed to this extraordinary event.

Lower mortgage rates and house prices improved affordability considerably. Also, there was a lot of potential demand which was not met in the 1989-90 boom when mortgage rates were very high. First-time buyers came back into the market in force which caused rental vacancies to double. Vancouver led the province in this sales rebound. By the end of the half, the sales recovery had spread to other areas of the province, while in Vancouver, sales volume started to come off from its heady pace.



In the new housing market, more sales meant lower unsold inventory and stepped up construction activity. Unsold inventory of new houses and condominiums dropped quickly and steeply in the first half. Housing construction was at its lowest level in recent times during the first quarter, but construction surged ahead in the second quarter.

## 1991-92 Outlook

### Recession Ends, Recovery Begins

B.C.'s economy will turn in its weakest performance in several years during 1991, but a recovery is expected in 1992. A mild and fairly brief recession began in late 1990 and likely ended by mid-1991. Nonetheless unemployment went up by a quarter and production dropped. The turnaround will begin in the lumber sector as the U.S. housing market recovers and with a pick-up in local housing construction. Growth is expected to spread into other sectors as the recovery gains momentum.

Employment will be increasing in the next eighteen months, gradually at first, but with more force in 1992. Construction employment has already

begun to rise. Forestry manufacturing employment will show good gains in 1992. A stronger U.S. economy will result in higher employment in B.C.'s export-oriented sectors. The possibility of a disruption to production and work exists since several major labour-management contracts expire in 1991. This would dampen consumer confidence and be a drag on the economic recovery.

Migration to the province is expected to remain at a high level. Net migration is forecast to be below the record set in 1990, but at 54,800 persons in 1992, it will be well above the previous five-year average. Inter-provincial migration is expected to slow down in 1991 due to the national recession, and in 1992 the economic recovery in other provinces will keep more people there. International migration will continue to rise, partially offsetting the decline in interprovincial migration. Forecasted total net migration will add about 15,000 to 20,000 new households to the B.C. housing market.

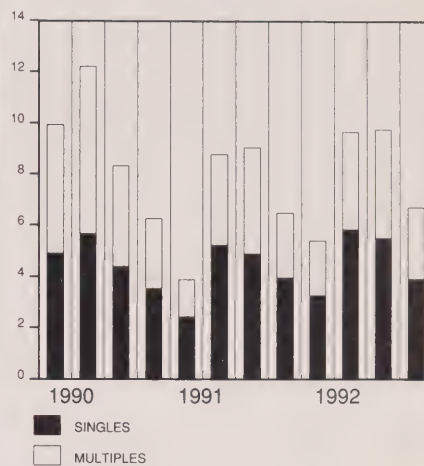
### Improving Economy to Assist Housing Recovery

The housing market recovery has been fueled by the large decline in mortgage rates. This is expected to change. The housing market will be more driven by employment and confidence factors in 1992. More jobs will mean more housing demand and higher consumer confidence. Higher confidence also leads to higher housing demand.

Housing starts will continue to increase. The initial phase of the recovery is shaping up to be quite vigorous. There will likely be a pause sometime during the next six quarters to allow for absorption of these new units. Overall housing starts are forecast to increase to 31,500 units in 1992 from an expected 28,200 units in 1991.

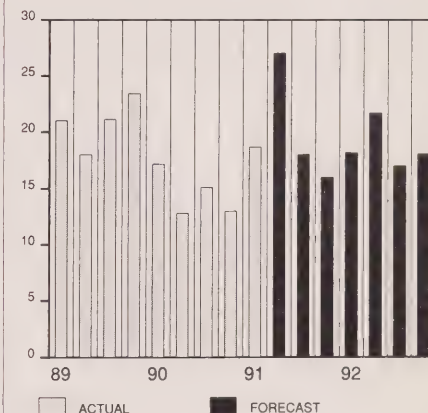
New housing prices will be going up. Demand for building lots will like-

### Housing Starts Units Thousands (Qtrly) BRITISH COLUMBIA



SOURCE: CMHC.

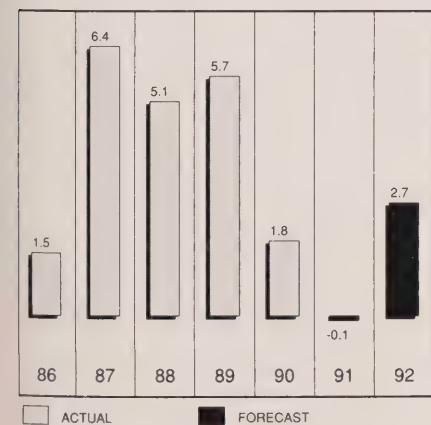
### Residential MLS\* Sales Thousands (Qtrly) BRITISH COLUMBIA



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

### Real Gross Domestic Product % Change BRITISH COLUMBIA



SOURCE: Statistics Canada.  
CMHC: Forecast.

ly outstrip supply in the near term causing land prices to rise. This will increase the final cost of a new home to the purchaser. Lot supply is an issue in the Vancouver and Victoria metropolitan areas. Adequate supplies exist elsewhere. New house price increases in Vancouver and Victoria are expected to approach ten percent in 1992.

The revival in condominium construction is expected to continue. Condominium starts are forecast to jump by over forty percent in 1992. The Vancouver market will have the largest gains and will lead the provincial recovery. Kelowna's condominium market is also expected to be quite robust.

Builders of new houses and condominiums will be concentrating on a lower to mid-price product. Higher land prices partially dictate higher densities and a moderate price product, but also, builders want to tap an unmet demand in this segment. Custom-built, trade-up, more expensive housing

units are likely to be more prevalent in 1992.

The resale market will post its second best sales year in 1991. MLS sales are forecast to be close to 80,000

units this year, due to a strong first half but slightly fewer sales are forecast in 1992. The sales trend will be up in 1992 but from a lower level at the end of 1991. ■

#### Key Provincial Indicators

	1990	1991(F)	1992(F)
GDP (% Change)	1.8	-0.1	2.7
Unemployment Rate (%)	8.3	10.1	10.3
Starts	36,720	28,200	31,500
MLS* Sales	58,027	79,700	74,900
Average MLS* Price	\$157,616	\$167,500	\$183,100

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## Housing Starts — Total

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2883	2682	3168	3536	3245	3000	3650
PEI	1110	933	1151	815	762	630	625
NS	7571	6460	5478	5359	5560	4800	5100
NB	4045	3716	3621	3681	2683	2500	2850
QUE	60348	74179	58062	49058	48070	41800	44200
ONT	81470	105213	99924	93337	62649	51200	71000
MAN	7699	8174	5455	4084	3297	1700	2400
SASK	5510	4895	3856	1906	1417	800	1250
ALTA	8462	10790	11360	14712	17227	12500	15600
BC	20687	28944	30487	38894	36720	28200	31500
CAN	199785	245986	222562	215382	181630	* 147000	* 178000

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts — Singles

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2627	2530	2839	2932	2468	2250	2800
PEI	783	699	704	456	483	445	450
NS	4551	4120	3867	3361	3639	2600	3500
NB	3234	2957	2953	2909	2137	2100	2400
QUE	23692	31430	27724	24493	24942	22700	23300
ONT	56448	64929	57099	53511	32425	25000	40600
MAN	4791	4631	3601	2966	2847	1500	2000
SASK	3770	2995	2246	1383	1087	650	950
ALTA	7146	9495	9671	12345	13809	10400	12700
BC	12966	16353	17761	21612	18478	16500	18525
CAN	120008	140139	128465	125968	102315	* 84000	* 107000

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts — Multiples

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	256	152	329	604	777	750	850
PEI	327	234	447	359	279	185	175
NS	3020	2340	1611	1998	1921	2200	1600
NB	811	759	668	772	546	400	450
QUE	36656	42749	30338	24565	23128	19100	20900
ONT	25022	40284	42825	39826	30224	26200	30400
MAN	2908	3543	1854	1118	450	200	400
SASK	1740	1900	1610	523	330	150	300
ALTA	1316	1295	1689	2367	3418	2100	2900
BC	7721	12591	12726	17282	18242	11700	12975
CAN	79777	105847	94097	89414	79315	* 63000	* 71000

**SOURCE:** CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Detail of Multiple Starts

	Private Rental Row/Apt	Assisted Rental Row/Apt	Total Rental Row/Apt	Condo Row/Apt	Other Semi/ Row/Free	TOTAL
NFLD						
1990	49	302	351	52	374	777
1991	145	180	325	25	400	750
1992	100	150	250	100	500	850
PEI						
1990	253	10	263	0	16	279
1991	105	60	165	0	20	185
1992	63	80	143	0	32	175
NS						
1990	781	402	1183	428	310	1921
1991	1450	280	1730	210	260	2200
1992	800	340	1140	160	300	1600
NB						
1990	275	135	410	30	106	546
1991	190	100	290	80	30	400
1992	230	110	340	50	60	450
QUE						
1990	15576	651	16227	3448	3453	23128
1991	11450	550	12000	3900	3200	19100
1992	12900	700	13600	4200	3100	20900
ONT						
1990	6971	6897	13868	11465	4891	30224
1991	2650	14250	16900	5100	4200	26200
1992	3900	12300	16200	9000	5200	30400
MAN						
1990	325	76	401	0	49	450
1991	20	120	140	30	30	200
1992	80	200	280	100	20	400
SASK						
1990	67	0	67	225	38	330
1991	30	50	80	50	20	150
1992	25	50	75	200	25	300
ALTA						
1990	718	250	968	1500	950	3418
1991	400	200	600	1100	400	2100
1992	700	200	900	1200	800	2900
BC						
1990	2650	1303	3953	13067	1222	18242
1991	2240	1210	3450	7425	825	11700
1992	1630	1180	2810	9225	940	12975
CAN						
1990	27665	10026	37691	30215	11409	79315
1991	18680	17000	35680	17920	9385	* 63000
1992	20428	15310	35738	24235	10987	* 71000

SOURCE: CMHC.

1990 Actual, 1991-92 Forecast.

\* Total does not add due to rounding.



**New House Price Index**  
(annual per cent change)

	1986	1987	1988	1989	1990	1991(F)	1992(F)
ST. JOHN'S	2.2	4.9	2.3	5.4	3.6	6.0	6.5
HALIFAX	2.0	3.3	3.8	1.8	0.3	4.5	3.5
SAINT JOHN	3.6	4.8	2.8	3.5	1.4	3.0	3.5
QUEBEC CITY	6.8	8.9	8.8	6.9	3.3	5.0	4.0
MONTREAL	7.4	15.0	9.5	3.4	2.7	3.0	4.0
OTTAWA	2.8	5.7	6.7	5.6	3.9	1.5	6.0
TORONTO	16.6	26.2	16.6	22.4	-3.8	-15.5	5.1
HAMILTON	10.2	16.8	11.5	8.4	2.3	-1.5	4.0
ST. CATHARINES	12.5	12.5	6.5	8.4	7.0	-1.4	5.1
KITCHENER	14.4	14.4	9.0	10.3	2.0	-2.6	4.2
LONDON	13.7	16.1	7.7	9.7	5.7	2.0	5.0
WINDSOR	10.2	6.7	5.3	8.9	4.4	-0.4	3.0
WINNIPEG	6.4	5.9	1.2	-0.4	1.9	1.5	2.5
REGINA	3.4	3.6	1.6	1.6	1.8	2.5	1.5
SASKATOON	4.6	4.2	1.9	0.7	0.7	-1.0	1.0
CALGARY	8.3	4.0	8.7	7.2	12.4	1.2	4.9
EDMONTON	7.3	4.2	5.1	8.3	15.9	3.6	5.3
VANCOUVER	0.5	4.5	5.2	15.6	5.7	-4.7	8.8
VICTORIA	-5.1	-2.3	7.3	10.0	7.0	0.5	8.5

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

**MLS\* Activity — Total Sales**  
**(number and annual per cent change)**

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	1846	1906	2217	2040	1998	2100	2400
%	4.4	3.3	16.3	-8.0	-2.1	5.1	14.3
PEI	467	507	505	626	742	850	900
%	-12.9	8.6	-0.4	24.0	18.5	14.6	5.9
NS	6098	5903	5734	5640	6072	5400	5900
%	15.9	-3.2	-2.9	-1.6	7.7	-11.1	9.3
NB	2688	2948	3518	3490	3316	3400	3600
%	1.5	9.7	19.3	-0.8	-5.0	3.0	5.4
QUE	29203	29909	30503	30618	28067	29200	31000
%	11.3	2.4	2.0	0.4	-8.3	4.0	6.2
ONT	143988	134370	160578	142882	102792	140000	148800
%	9.2	-6.7	19.5	-11.0	-28.1	36.2	6.3
MAN	11944	12367	11129	10375	9356	9650	10900
%	5.7	3.5	-10.0	-6.8	-9.8	3.1	13.0
SASK	8211	7875	7301	6850	6405	6350	6685
%	4.6	-4.1	-7.3	-6.2	-6.5	-0.9	5.3
ALTA	23705	27632	30368	36249	33085	36400	34210
%	-15.8	16.6	9.9	19.4	-8.7	10.0	-6.0
BC	46145	56376	67460	83562	58027	79700	74900
%	6.0	22.2	19.7	23.9	-30.6	37.3	-6.0
CAN	274295	279793	319313	322332	249860	313100	319300
%	5.8	2.0	14.1	0.9	-22.5	25.3	2.0

**SOURCE:** The Canadian Real Estate Association.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

(F) Forecast by CMHC.

**MLS\* Activity — Average Price**  
(number and annual per cent change)

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	69232	73416	76828	83285	88654	94500	103500
%	5.6	6.0	4.6	8.4	6.4	6.6	9.5
PEI	54419	58850	65464	74168	69284	72000	75000
%	2.8	8.1	11.2	13.3	-6.6	3.9	4.2
NS	74917	78885	79591	83874	84650	87300	91700
%	7.9	5.3	0.9	5.4	0.9	3.1	5.0
NB	63964	67632	72101	75848	77752	80900	84400
%	12.2	5.7	6.6	5.2	2.5	4.0	4.4
QUE	74506	86003	95367	100517	101000	103300	108500
%	10.8	15.4	10.9	5.4	0.3	2.4	5.0
ONT	108212	135656	161270	184677	175859	186500	194100
%	25.5	25.4	18.9	14.5	-4.8	6.1	4.1
MAN	70135	77031	80427	82401	79961	79700	81300
%	13.5	9.8	4.4	2.5	-3.0	-0.3	2.0
SASK	63792	65811	68355	70417	68963	68400	69900
%	3.8	3.2	3.9	3.0	-2.1	-0.9	2.2
ALTA	78573	83905	89554	98514	108675	112900	119200
%	3.6	6.8	6.7	10.0	10.3	3.8	5.7
BC	92852	101916	121040	151504	157616	167500	183100
%	5.6	9.8	18.8	25.2	4.0	6.3	9.3

**SOURCE:** The Canadian Real Estate Association.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

(F) Forecast by CMHC.



**Vacancy Rates in Apartment Structures of Three Units & Over  
privately Initiated, in Metropolitan Area  
(per cent)**

	1990		1991		1992	
	APR	OCT	APR	OCT(F)	APR(F)	OCT(F)
CALGARY	2.7	2.0	4.1	3.0	3.6	2.9
CHICOUTIMI- JONQUIÈRE	3.2	5.1	4.8	5.0	4.9	4.0
EDMONTON	2.6	1.8	3.5	2.5	3.0	2.0
HALIFAX*	4.1	3.6	4.1	3.9	4.4	4.2
HAMILTON	0.9	1.3	1.5	2.0	1.7	1.5
KITCHENER	1.3	1.3	4.7	5.0	5.2	4.5
LONDON	3.1	2.8	4.1	3.9	3.6	2.7
MONTRÉAL	4.5	5.4	5.3	5.6	5.4	4.5
OSHAWA	1.6	1.8	3.7	5.0	4.0	2.8
OTTAWA	1.9	0.5	1.1	0.5	1.0	0.6
HULL	3.6	4.2	5.1	5.6	5.3	4.7
QUEBÉC CITY	4.1	5.7	4.3	4.3	4.5	3.5
REGINA	7.6	5.0	5.5	4.0	5.0	4.5
ST.CATHARINES- NIAGARA	1.9	2.1	2.9	3.5	3.0	2.5
SAINT JOHN	3.9	4.1	4.0	3.6	4.0	3.8
ST. JOHN'S	4.6	1.8	4.8	3.0	4.1	2.3
SASKATOON	10.1	7.4	8.0	6.0	6.0	5.0
SHERBROOKE	7.3	9.7	9.2	8.7	7.7	6.9
SUDBURY	0.6	0.7	1.1	1.2	1.5	1.9
THUNDER BAY	2.0	1.0	1.4	1.5	1.6	1.7
TORONTO	0.7	1.0	1.6	2.2	2.3	1.8
TROIS-RIVIÈRES	6.1	7.6	7.4	7.6	7.4	7.1
VANCOUVER*	0.9	0.9	2.3	1.8	2.5	1.5
VICTORIA*	0.7	0.3	1.4	1.8	2.0	1.5
WINDSOR	2.2	2.5	3.9	3.7	3.0	2.7
WINNIPEG	5.7	6.4	5.9	5.2	4.5	3.9

SOURCE: CMHC.

(F) Forecast.

\* For six units & over

## Housing Completions — Total

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2400	2836	3220	3783	3127	2782	3226
PEI	1176	943	993	927	683	694	610
NS	7571	6488	5793	4904	5477	4817	5362
NB	4504	3944	3798	3383	2959	2688	3078
QUE	56984	68949	65224	50855	52630	41400	44300
ONT	69567	88609	88727	99817	80562	58435	61510
MAN	7341	7627	5621	6461	4028	2390	2190
SASK	5072	5640	4352	2743	1575	1167	1115
ALTA	9172	9334	11201	12763	17467	12581	15238
BC	20818	23606	27603	31735	37655	29815	30320
CAN	184605	217976	216532	217371	206163	156769	166949

SOURCE: CMHC.

(F) FORECAST.

## Housing Completions — Singles

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2217	2521	2961	3217	2434	2109	2514
PEI	788	728	678	539	391	441	450
NS	4475	4190	3597	3274	3473	2773	3443
NB	3255	3222	3111	2773	2332	2128	2560
QUE	22322	29664	28980	24456	27199	22100	22660
ONT	49268	61400	58072	54732	43130	25652	35414
MAN	4204	4935	3916	3263	3109	1960	1810
SASK	3624	3603	2525	1523	1112	832	875
ALTA	8022	8168	9586	10956	14699	10376	12780
BC	12727	14816	15785	18736	20111	15955	18145
CAN	110902	133247	129211	123469	117990	84326	100651

SOURCE: CMHC.

(F) FORECAST.



## Housing Completions — Multiples

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	183	315	259	566	693	673	712
PEI	388	215	315	388	292	253	160
NS	3096	2298	2196	1630	2004	2044	1919
NB	1249	722	687	610	627	560	518
QUE	34662	39285	36244	26399	25431	19300	21640
ONT	20299	27209	30655	45085	37432	32783	26096
MAN	3137	2692	1705	3198	919	430	380
SASK	1448	2037	1827	1220	463	335	240
ALTA	1150	1166	1615	1807	2768	2205	2458
BC	8091	8790	11818	12999	17544	13860	12175
CAN	73703	84729	87321	93902	88173	72443	66298

**SOURCE:** CMHC.

(F) Forecast.

**Employment**  
(annual per cent change)

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	2.8	2.2	5.5	4.0	0.2	-0.5	2.5
PEI	1.5	2.1	3.5	1.4	1.6	-3.3	1.1
NS	2.4	2.6	4.7	1.9	1.6	-0.3	1.3
NB	2.8	3.5	3.2	1.6	2.2	-1.4	2.1
QUE	2.1	3.3	2.8	1.0	0.8	-2.1	1.2
ONT	3.4	3.6	3.7	1.8	-0.2	-3.0	2.4
MAN	2.3	1.2	0.3	0.8	1.5	-1.0	1.0
SASK	1.2	0.4	-0.4	-1.1	0.6	0.9	0.0
ALTA	1.7	0.4	3.5	2.3	1.4	1.0	1.7
BC	4.2	2.8	4.0	5.7	2.4	0.9	1.6
CAN	2.8	2.8	3.2	2.0	0.7	-1.6	1.7

**SOURCE:** Statistics Canada.  
(F) Forecast by CMHC.

**Unemployment Rate**  
(per cent)

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	19.2	17.9	16.4	15.8	17.0	18.7	18.7
PEI	13.4	13.4	13.1	14.0	14.9	16.6	15.6
NS	13.1	12.3	10.2	9.9	10.5	11.3	10.7
NB	14.3	13.1	12.0	12.5	12.1	13.0	12.0
QUE	11.0	10.3	9.4	9.3	10.1	12.2	11.8
ONT	6.9	6.1	5.0	5.1	6.3	9.7	9.3
MAN	7.7	7.4	7.8	7.5	7.2	7.7	7.3
SASK	7.7	7.4	7.5	7.5	7.0	7.4	8.1
ALTA	9.8	9.6	8.0	7.2	7.0	8.1	7.9
BC	12.5	11.9	10.4	9.1	8.3	10.1	10.3
CAN	9.5	8.8	7.8	7.5	8.1	10.4	10.1

**SOURCE:** Statistics Canada.  
(F) Forecast by CMHC.



## Total Net Migration

	1986	1987	1988	1989	1990	1991(F)	1992(F)
NFLD	-5634	-5470	-1991	-724	-4262	-1000	0
PEI	-353	564	725	305	-1385	-850	-300
NS	-276	-1010	-630	610	835	1000	1100
NB	-3777	-2315	-959	2203	-289	550	-100
QUE	9993	13277	12578	22278	25807	25900	21800
ONT	69420	101335	82292	79554	85730	93400	109000
MAN	-774	-2428	-6254	-4775	-3979	-3000	-1800
SASK	-7190	-9467	-14704	-15370	-13815	-5500	-6500
ALTA	-16489	-17698	5907	10566	21770	20500	17500
BC	7621	32063	48188	59537	64446	57000	54800
CAN*	52541	108851	125152	154184	174858	188000	195500

**SOURCE:** Statistics Canada.

(F) Forecast by CMHC.

\* Excludes Yukon and Northwest Territories.



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**NATIONAL  
HOUSING  
OUTLOOK**  
FOURTH  
QUARTER  
1991

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**NATIONAL HOUSING OUTLOOK**  
**FOURTH QUARTER, 1991**

**CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared October, 1991

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# NATIONAL HOUSING OUTLOOK

## Housing Recovery Carries On

Housing markets continued to recover during the third quarter of 1991, with all provinces now showing various degrees of improvement. The overall pace of rising activity, however, has slowed compared with the preceding three months.

In the third quarter, housing starts rose 19 per cent to a seasonally adjusted annual rate of 181,000 units, up from 152,000 units during the second quarter. One exception to the upward trend is Quebec where starts were down from the second quarter. Sales of existing homes reached an annual rate of about 285,000 units, up 17 per cent from the third quarter 1990. On a seasonally adjusted basis, however, resale activity is estimated to have dropped from an

exceptionally strong second quarter.

*... favourable  
interest rates  
in 1992  
should stimulate  
housing demand.*

The most significant factors that kept the recovery on track during the third quarter include the low levels of interest rates, stronger rural starts and the rise in starts from government sponsored housing projects, mainly in Ontario.

While the recovery was also sustained by the general improvement in economic conditions, progress on this front has been only modest. Employment rose at an annual rate of 0.2 per cent in the third quarter, much less than the 1.2 per cent jump of the second quarter.

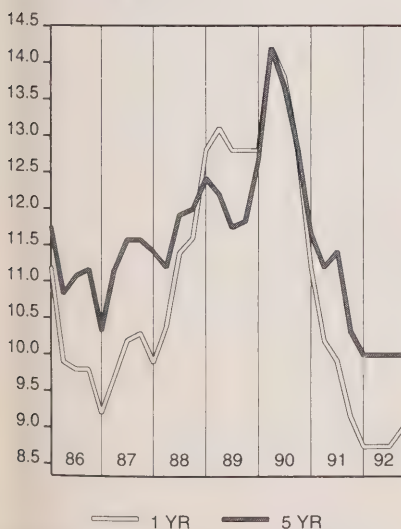
## Economic Outlook

The economy should continue to recover at a moderate pace in 1992. Gross Domestic Product is expected to increase by around 3 per cent next year, after a drop of 0.8 per cent in 1991. The factors

limiting the speed of the recovery are the same as in our previous forecast. They include caution by debt ridden consumers, a generally restrained fiscal stance by governments, slow growth abroad and competitive pressures resulting from a strong currency along with their impact on corporate profits and investment. The unemployment rate, averaging 10.3 per cent this year, is expected to drop only slightly next year.

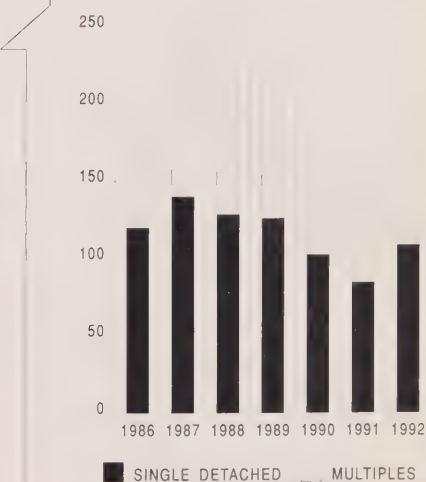
This slow expansion has a favourable impact on inflation and interest rates. Inflation has been brought down more rapidly than markets might have expected. As well, the fragile pace of the expansion has led monetary authorities in the U.S. and in Canada to lower short term rates in order to prevent the economies from slipping back into recession. Further drops in

## Mortgage Rates Percent Chartered Banks



SOURCES: Bank of Canada Review; CMHC forecast.

## Housing Starts Units Thousands (Annually) CANADA



SOURCE: CMHC.

interest rates are also supported by the rising value of the Canadian dollar.

Five year mortgage rates are expected to edge down further, dropping to 10 per cent in 1992. One year mortgage rates should be slightly under 9 per cent for most of the year. This favourable interest rate outlook should stimulate demand and support the housing sector.

### Housing Outlook

The recovery in housing markets is expected to continue during the fourth quarter. Housing starts should reach 152,000 units this year, down from 181,630 in 1990. The current forecast is slightly up from the last one of 147,000 units. Additional stimulus will be provided by the recent drop in interest rates, the continuation of government sponsored programs, and a firming up of the general economic recovery.

For 1992, housing starts are forecast to reach 183,000 units. This compares to our previous forecast of 178,000. Lower interest rates and a gradual economic expansion will support housing.

First-time buyers dominated the market in 1991 because of increased affordability due to lower rates, better prices and more interest by builders for the starter home segment of the market. However, move-up buyers are expected to play a more active role as the

economic recovery appears more secure and consumer confidence improves further in 1992.

## *Housing starts forecast to increase in 1992 to 183,000 units.*

The change in buyers mix will be reflected in the growing relative importance of single-detached dwellings in total starts. Construction of 108,700 single-detached dwellings is expected for next year, a 28 per cent increase from this year's 84,600 units. Multiples will be up only 10 per cent, rising from 67,900 to 74,400 units. This trend should be clear in most regions of the country.

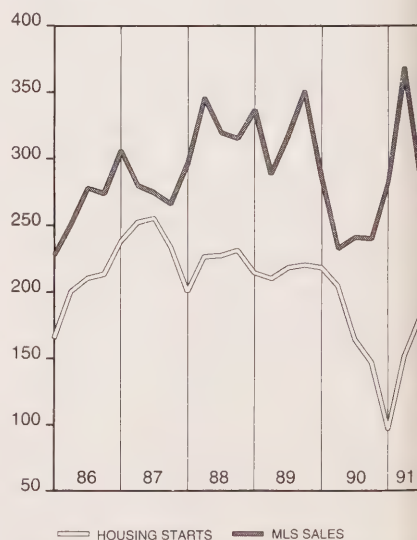
The resale market will also reflect this change in buyers mix. During the early stages of the recovery, the resale market was most active offering a good selection of lower priced homes. Residential unit sales through the Multiple Listing Service (MLS)\* are expected to rise by 23 per cent to 307,000 units this year. The sales level is expected to rise by 2 per cent, to 313,000 units in 1992 with more higher priced homes

trading, which is another indication of the increasing presence of move-up buyers.

The subdued pace of the recovery and the firm progress made on the inflation front are limiting house price increases. This year, despite the early jump of the resale market, average price changes are expected to range from a drop of 1.1 per cent in Ontario to an increase of 6.3 per cent increase in British Columbia. Average resale house prices should increase somewhat more in 1992, ranging from a low of 1.4 per cent in Prince Edward Island to a high of 8.6 per cent in British Columbia.■

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

**Housing Starts and  
Residential MLS Sales  
Seasonally adjusted at annual  
rates  
Units Thousands (Qtrly)  
Canada**



SOURCES: CMHC; The Canadian Real Estate Association



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

Weakness in resource based industries and lower employment have eroded confidence levels in Newfoundland this year. While the level of housing starts was depressed in urban centres, it was strengthened in rural areas through owner builder activity. This will sustain total starts at 2,900 units in 1991, a 10.6 per cent drop from 1990. Favourable interest rates supported an upswing in resale activity during the third quarter, which should help bring total MLS sales for the year to 2,000 units, quite close to 1990 levels.

In 1992, the Hibernia project and a stronger service sector will boost economic growth. MLS sales are forecast to rise 10 per cent to 2,200 units. The demand for new homes will also rise, lifting housing starts by 21 per cent to 3,500 units and moving the new home market to a more balanced position in the second half of the year. The province's proposal to harmonize the provincial retail sales tax with the GST, which could result in additional taxes for new housing, would present a significant downside risk to the 1992 starts forecast.

## Prince Edward Island

The surge in housing starts experienced in the second quarter of 1991 ended sharply in July. Seasonal summer jobs, a source of

supplementary income for many households, were down by 3,000 this year, or about 5 per cent of total employment. In spite of favourable interest rates, the financial uncertainty facing households and investors has resulted in the lowest level of starts since 1982.

The forecast of starts for 1991 has been revised to 500 units, with a mix of 335 single family units and 165 multiple units. For 1992, total starts are expected to improve to 600. Although this is low compared to the late 1980s, starts in 1992 will respond to the strongest economic growth in three years. Sales of existing residential units are forecast to rise by 8 per cent in 1991, mainly because of a strong first half. However, the summer decline in activity and the high number of listings will keep most markets in a buyer's position with minimal price increases at least until late 1992.

## Nova Scotia

Apartment construction in Nova Scotia has been the driving force in the residential construction industry this year. The recession has in a sense benefitted landlords, by encouraging migration to urban centres and discouraging renters from buying homes. Uncertainties over employment and income growth have reduced housing demand throughout the province, and resulted in sharp declines in

new home construction. However, by mid-summer a recovery in the resale market was evident, as low prices and large inventories attracted more buyers.

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*New home  
activity  
forecast to  
increase in  
most Atlantic  
provinces  
next year.*

---

Overall, the housing industry will fare poorly in 1991, with modest improvements expected in 1992 as the economy recovers gradually. Total housing starts will decline 8 per cent, to 5,100 units this year. The rise in multiple unit starts will not be large enough to offset the drop in single-detached house starts. In 1992, MLS sales will decline slightly to 6,000 units as fewer listings and higher prices will shift demand back toward the new home market. Single-detached housing starts will rise by 15 per cent, as home buyer confidence returns. However, a decline in apartment construction is expected to reduce total starts to around 4,900 units.

## New Brunswick

The New Brunswick economy is in the early stages of a recovery from the 1990/1991 downturn. Employment, which declined during the first half of the year, appears to have bottomed out and is now inching upwards. Most of the new jobs that are being created, however, are in the lower paying service sector. Following a marginal drop in overall activity in 1991, the provincial economy is expected to recover with a rate of growth exceeding 3 per cent next year.

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### *Québec housing markets forecast to strengthen in 1992*

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The housing industry has gradually improved since the middle of 1991 as a result of strengthening economic conditions and growing consumer confidence. The upswing in housing activity will lift the new construction market to 2,750 starts this year, slightly above the 1990 level. With steady improvements in economic conditions forecast for 1992, a level of 3,000 starts is expected next year.

The resale market has been stimulated by increased affordability. Sales in this market are forecast to inch up to the 3,400 mark in 1991 and increase to 3,600 units in 1992. The major risk to the housing forecast is on the downside and could occur as a result of larger than expected provincial government layoffs.

## Québec

Residential construction activity will bottom out in 1991 in Québec with 41,800 housing starts. The extension of the "Deal Estate Program" until the end of November 1991 will continue to support the single-family product. As a result of this program, increases were posted in the starter house segment of the market (single-detached houses selling at up to \$100,000., semi-detached and row houses). The large number of people buying late in 1991, however, may well mean that the single-family product will be slow next year. Activity in the rental and condominium markets, both still coping with a surplus supply situation, will decrease once again in 1991 and will likely continue to decrease in 1992.

In 1992, declining interest rates and a positive net job creation should boost housing starts to 44,200 units (up 5.7 per cent). Construction activity will, however, be moderated by elements of uncertainty such as the constitutional debate and the development of the Great Whale hydro-electric

project. The anticipatory demand for new houses satisfied in 1991 and the large stock of vacant units will also dampen activity in 1992.

The resale market in 1991 will show the first signs of shaking off a five-year lethargy with 28,500 MLS sales representing a slight increase compared to last year. The average price of transactions will increase by 2.5 per cent. Next year the number of transactions will surge to 31,000 due to lower interest rates, the Provincial Downpayment Assistance Program and to less competition from new starter houses. The end of the "Deal Estate Program" will eliminate one of the advantages of the new house market. The average price will increase by 5.0 per cent.

## Ontario

Ontario's housing market continues to shake off the influences of a deep economic recession. When Ontario employment levels touched bottom in the first quarter of 1991, first-time buyers re-entered the housing market in search of lower priced homes. Residential resale volumes skyrocketed in response, but average resale prices grew only modestly. High consumer debt levels and uncertainty associated with a slower than expected pace of employment growth have dampened the resale market since then. By the third quarter of 1991, housing starts had surged ahead to 70,000 units, seasonally adjusted at annual rates (SAAR), from their



low of 32,000 SAAR in the first quarter. Total starts for the year should be 55,100 units down from 62,649 units in 1990. Move-up purchases of new homes were still echoing the spring increase in resales.

In 1992, the number of resale homes and the average resale price are expected to increase by 6.3 per cent and 3.4 per cent respectively, as employment growth builds up to a 2.7 per cent annual rate and economic uncertainty subsides. Ontario consumers will react to the lower downpayment and carrying costs associated with the drop in house prices and mortgage rates. Average resale price will grow only moderately next year, close to the general rate of inflation.

Bolstered by lower interest rates and a recovery of the resale market, total residential starts are forecast to increase by almost a third to 73,000 units in 1992. A long-term construction trend towards more expensive forms of housing was interrupted by the recession. The trend will resume as baby boom move-up buyers show renewed interest in single-detached homes and condominiums. Single-detached dwelling starts are expected to rise by more than half to 41,600 units, when builders make up for the decline in single family home inventories this year. Multiple starts are expected to grow by 11.7 per cent in 1992 to 31,400 units. At the beginning of the year, multiple

starts will be boosted by the construction of government sponsored rental housing, especially by units assisted under Ontario's "Homes Now" program.

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## *Surge in single detached units in Ontario expected next year.*

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### **Manitoba**

The relative diversity of the Manitoba economy has historically sheltered the province from the full recessions experienced in neighbouring provinces. In 1991, however, weak commodity prices, low consumer and business confidence, and reduced export earnings have combined to destabilize the province's economy, resulting in the loss of 10,000 jobs. In 1992, continued economic growth across North America will improve export prospects and investment spending in Manitoba, resulting in a two per cent growth in economic output.

Housing starts, after bottoming out at 1,900 units in 1991, will recover gradually to 2,500 units in 1992. Single-family starts will total 1,500 units in 1991, the lowest level since the 1982 reces-

sion. Improved consumer confidence will increase single starts by one third to 2,000 units in 1992. Modest levels of condominium activity in Winnipeg have boosted the outlook for multiple units to 400 in 1991. However, oversupplied rental markets in downtown Winnipeg will limit multiple construction to 500 units in 1992. Residential resale markets in Manitoba began to recover in the second quarter of this year; unit sales are expected to increase by 4.7 per cent this year, and by 11.2 per cent in 1992. Average prices at the end of 1991 should be close to those observed at the end of 1990 but should rise by about 2.5 per cent in 1992.

### **Saskatchewan**

Although there were near record crops in Saskatchewan, grain subsidy wars have caused prices to drop to the levels of the 1930s. Farm income will increase in 1991, but will be substantially less than the 10 year average. Economic prospects are brighter in Regina and Saskatoon, because of several announcements of company moves, including Promavia, Crown Life Insurance and the Farm Credit Corporation. Outside those two cities, however, economic conditions will not improve for the remainder of 1991 and 1992. Therefore, net out-migration from the province will be 8,000 to 9,000 people annually in 1991 and 1992.

In the second half of 1991, lower mortgage rates have improved the resale housing market after a weak first half. By the end of 1991, average house prices will recover to 1990 levels. The upward trend will continue in 1992. By the end of the third quarter, Saskatchewan housing starts totalled 781 units. This level of activity will continue in the fourth quarter producing 900 units by the end of 1991. In 1992, housing starts will improve modestly to 1,150 units. Almost all of this improvement will be in Regina and Saskatoon. Similarly, growth in the number of households in Regina and Saskatoon will reduce rental market vacancy rates over the next 6 to 12 months.

## **Alberta**

Alberta's housing markets have turned in a mixed performance so far in 1991. While the province's resale market has improved considerably from the 1990 trough, the large inventory of homes available for purchase has dampened price growth and shifted demand away from the relatively more expensive new home market. The number of homes sold through the Multiple Listing Service in Alberta will increase by nine per cent in 1991, to 36,000 units. In 1992, a gradual decline in listings and higher prices will shift demand back toward the new home market. As a result, MLS sales will decline slightly, to 34,000 units. The average MLS residential price will increase by a modest two per cent

in 1991, to \$110,800. As the market tightens in 1992, prices will increase by six per cent, to an average of \$117,500.

The new home market was expected to recover in the second half of 1991. Instead, provincial consumer confidence continues to be low because of a weak energy sector, public and private sector layoffs, and news of central Canada's slow recovery from the recession. These factors overwhelmed the positive influence of lower interest rates. As a consequence, the recovery in new construction has been postponed. Housing starts will total 11,600 units in 1991, a 33 per cent decline from 1990. Flat prices and an excess of listings in the resale market will dampen the demand for new homes until the second quarter of 1992. The slower-than-expected recovery will limit new housing starts to 14,750 units in 1992, a 27 per cent increase over this year's low volumes.

## **British Columbia**

During the last three months, the British Columbia housing market continued its recovery from the recession. Housing starts rose vigorously in the third quarter while sales subsided from record levels. Resale housing prices were up only moderately due to a large supply of listings on the market. New house prices were down from last year as the result of a shift by many builders away from higher-priced houses. However, lot prices

were up due to rising demand, especially in those centres with a limited short-term lot supply, such as Vancouver and Victoria. Newly completed and unsold inventory has declined.

British Columbia's economy is expected to turn in a better performance in 1992 than this year, but it will be below potential with employment growth around two percent. Exports are expected to improve only modestly and investment spending will likely be down. The unemployment rate should stay stubbornly high due to slow employment growth and considerable in-migration. Population growth is forecast to remain high, but with lower inter-provincial in-migration. Another factor is the change in provincial government and its unknown impact on housing demand and supply.

The housing market recovery is forecast to advance in 1992. The recovery path will likely be slightly below average strength due to modest economic growth. MLS sales in 1991 will be at a record high due to the very strong rebound earlier in the year. Next year a strong first half, due to more than seasonality, seems to be in the offing. Sales in 1992 are forecast to be slightly lower, since 1991 was so unusually strong. Housing starts are forecast to post a gain of about twenty percent next year, with singles starts leading multiples. The emphasis on affordable, well-priced units by builders will continue.■

## Housing Starts

**Total  
(units)**

	1986	1987	1988	1989	1990	1991 <sup>(F)</sup>	1992 <sup>(F)</sup>
NFLD	2883	2682	3168	3536	3245	2900	3500
PEI	1110	933	1151	815	762	500	600
NS	7571	6460	5478	5359	5560	5100	4900
NB	4045	3716	3621	3681	2683	2750	3000
QUE	60348	74179	58062	49058	48070	41800	44200
ONT	81470	105213	99924	93337	62649	55100	73000
MAN	7699	8174	5455	4084	3297	1900	2500
SASK	5510	4895	3856	1906	1417	900	1150
ALTA	8462	10790	11360	14712	17227	11600	14750
BC	20687	28944	30487	38894	36720	29900	35525
CAN	199785	245986	222562	215382	181630	*152000	*183000

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Singles (units)

	1986	1987	1988	1989	1990	1991 <sup>(F)</sup>	1992 <sup>(F)</sup>
NFLD	2627	2530	2839	2932	2468	2175	2600
PEI	783	699	704	456	483	335	450
NS	4551	4120	3867	3361	3639	2600	3000
NB	3234	2957	2953	2909	2137	2200	2500
QUE	23692	31430	27724	24493	24942	20800	23300
ONT	56448	64929	57099	53511	32425	27000	41600
MAN	4791	4631	3601	2966	2847	1500	2000
SASK	3770	2995	2246	1383	1087	675	850
ALTA	7146	9495	9671	12345	13809	9650	11850
BC	12966	16353	17761	21612	18478	17650	20550
CAN	120008	140139	128465	125968	102315	*84600	*108700

### Multiples (units)

	1986	1987	1988	1989	1990	1991 <sup>(F)</sup>	1992 <sup>(F)</sup>
NFLD	256	152	329	604	777	725	900
PEI	327	234	447	359	279	165	150
NS	3020	2340	1611	1998	1921	2500	1900
NB	811	759	668	772	546	550	500
QUE	36656	42749	30338	24565	23128	21000	20900
ONT	25022	40284	42825	39826	30224	28100	31400
MAN	2908	3543	1854	1118	450	400	500
SASK	1740	1900	1610	523	330	225	300
ALTA	1316	1295	1689	2367	3418	1950	2900
BC	7721	12591	12726	17282	18242	12250	14975
CAN	79777	105847	94097	89414	79315	*67900	*74400

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## MLS\* Activity

### Total Sales (units and annual per cent change)

	1986	1987	1988	1989	1990	1991 <sup>(F)</sup>	1992 <sup>(F)</sup>
NFLD	1846	1906	2217	2040	1998	2000	2200
%	4.4	3.3	16.3	-8.0	-2.1	0.1	10.0
PEI	467	507	505	626	742	800	850
%	-12.9	8.6	-0.4	24.0	18.5	7.8	6.3
NS	6098	5903	5734	5640	6072	6200	6000
%	15.9	-3.2	-2.9	-1.6	7.7	2.1	-3.2
NB	2688	2948	3518	3490	3316	3400	3600
%	1.5	9.7	19.3	-0.8	-5.0	2.5	5.9
QUE	29203	29909	30503	30618	28067	28500	31000
%	11.3	2.4	2.0	0.4	-8.3	1.5	8.8
ONT	143988	134370	160578	142882	102792	129000	137100
%	9.2	-6.7	19.5	-11.0	-28.1	25.5	6.3
MAN	11944	12367	11129	10375	9356	9800	10900
%	5.7	3.5	-10.0	-6.8	-9.8	4.7	11.2
SASK	8211	7875	7301	6850	6405	6400	6800
%	4.6	-4.1	-7.3	-6.2	-6.5	-0.1	6.3
ALTA	23705	27632	30368	36249	33085	36000	34000
%	-15.8	16.6	9.9	19.4	-8.7	8.8	-5.6
BC	46145	56376	67460	83562	58027	84500	80200
%	6.0	22.2	19.7	23.9	-30.6	45.6	-5.1
CAN	274295	279793	319313	322332	249860	**307000	**313000
%	5.8	2.0	14.1	0.9	-22.5	22.9	2.0

### Average Price (dollars and annual per cent change)

	1986	1987	1988	1989	1990	1991 <sup>(F)</sup>	1992 <sup>(F)</sup>
NFLD	69232	73416	76828	83285	88654	92500	99000
%	5.6	6.0	4.6	8.4	6.4	4.3	7.0
PEI	54419	58850	65464	74168	69284	72000	73000
%	2.8	8.1	11.2	13.3	-6.6	3.9	1.4
NS	74917	78885	79591	83874	84650	87300	91700
%	7.9	5.3	0.9	5.4	0.9	3.1	5.0
NB	63964	67632	72101	75848	77752	82000	86000
%	12.2	5.7	6.6	5.2	2.5	5.5	4.9
QUE	74506	86003	95367	100517	100811	103300	108500
%	10.8	15.4	10.9	5.4	0.3	2.5	5.0
ONT	108212	135656	161270	184677	175859	174000	179900
%	25.5	25.4	18.9	14.5	-4.8	-1.1	3.4
MAN	70135	77031	80427	82401	79961	80000	82000
%	13.5	9.8	4.4	2.5	-3.0	0.0	2.5
SASK	63792	65811	68355	70417	68963	69000	70500
%	3.8	3.2	3.9	3.0	-2.1	0.1	2.2
ALTA	78573	83905	89554	98514	108675	110800	117500
%	3.6	6.8	6.7	10.0	10.3	2.0	6.0
BC	92852	101916	121040	151504	157616	167500	181900
%	5.6	9.8	18.8	25.2	4.0	6.3	8.6
CAN	94963	111404	131526	148875	143432	**149500	**157000
%	17.5	17.3	18.1	13.2	-3.7	4.2	5.0

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* Total does not add due to rounding.

## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	90:Q1	90:Q2	90:Q3	90:Q4	91:Q1	91:Q2	91:Q3
<b>New housing</b>							
Building permits, units, thousands	229	171	141	155	136	156	..
%	0.8	-25.5	-17.4	9.6	-12.2	14.8	..
Housing starts, total, thousands	218	204	164	147	96	152	181
%	-0.9	-6.4	-19.6	-10.4	-34.7	58.3	19.1
Housing starts, singles, thousands	126	113	93	83	52	86	101
%	-0.8	-10.3	-17.7	-10.8	-37.3	65.4	17.4
Housing starts, multiples, thousands	92	91	71	64	44	66	80
%	-1.1	-1.1	-22.0	-9.9	-31.3	50.0	21.2
Housing completions, total, thousands	234	212	201	190	183	147	156
%	12.0	-9.4	-5.2	-5.5	-3.7	-19.7	6.1
New house price index, 1986=100	147.9	146.9	143.1	139.1	134.6	134.1	..
%	1.7	-0.7	-2.6	-2.8	-3.3	-0.3	..
<b>Existing housing</b>							
MLS* resales, units, thousands	286.6	232.4	240.7	239.8	282.1	368.1	284.0
%	-18.3	-18.9	3.6	-0.4	17.6	30.5	-22.8
MLS* average resale price, \$ thousand	144.9	141.7	144.5	140.9	146.2	155.9	148.6
%	-4.9	-2.2	2.0	-2.5	3.8	6.6	-4.7
<b>Mortgage market</b>							
Mortgages outstanding, \$ billion	219.4	225.1	228.5	231.9	237.3	241.1	..
%	3.6	2.6	1.5	1.5	2.4	1.6	..
Mortgage approvals, \$ billion	70.0	52.7	46.2	49.5	52.0	68.0	..
%	2.6	-24.7	-12.3	7.1	5.1	30.8	..
1-year mortgage rate, per cent**	12.75	14.25	13.75	12.83	11.25	10.25	9.92
5-year mortgage rate, per cent**	12.67	14.25	13.67	12.83	11.67	11.25	11.42
<b>Residential investment***</b>							
Total, \$1986 billion	38.6	36.5	34.4	32.1	30.1	31.6	..
%	-1.2	-5.3	-5.7	-6.9	-6.2	4.9	..
New, \$1986 billion	19.7	19.4	17.2	15.1	13.2	13.3	..
%	0.9	-1.4	-11.6	-12.2	-12.5	0.6	..
Alterations, \$1986 billion	12.6	12.4	12.0	11.9	11.4	11.6	..
%	1.9	-1.8	-2.6	-1.1	-4.4	2.0	..
Transfer costs, \$1986 billion	6.3	4.8	5.3	5.1	5.5	6.7	..
%	-12.3	-24.6	10.2	-2.6	8.1	21.2	..
Deflator, 1986=100	130.5	127.5	127.1	125.8	133.5	136.4	..
%	-0.3	-2.3	-0.3	-1.0	6.1	2.2	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.



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OUTLOOK**  
FIRST  
QUARTER  
1992

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**NATIONAL HOUSING OUTLOOK**

**FIRST QUARTER, 1992**

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**CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared January, 1992

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# Executive Summary

## Canada

Housing starts are forecast to rise to 180,000 units this year, following a cyclical low point of 156,197 units in 1991. This issue of the *National Housing Outlook* includes CMHC's first forecast to 1993, which features further improvements of housing markets with starts reaching 201,000 units in that year. Starts of single units will increase more than multiple starts.

The very hesitant pace of the overall economic recovery toward the end of last year had a negative impact on housing starts. Levels will stay low initially in 1992. Although many forces still hamper the recovery and slow down its pace, the national economy will benefit more fully from lower interest rates, some rebound of consumer confidence and spending, and a stronger U.S. economy. As the economy picks up, especially in the spring, housing markets will recover further. In addition, high

international net migration will help improve housing markets.

---

*Housing starts  
are forecast  
to rise to  
180,000 units  
this year. . .*

---

## Newfoundland

New home markets in Newfoundland are expected to bounce back up in the second half of 1992 with the help of lower interest rates, renewed confidence and higher employment in fishing and the Hibernia project. Following a drop to 2,836 starts in 1991, dwelling construction will increase to 3,650 units in 1992 and improve further to 3,900 units in 1993, coinciding with the peak construction year of the Hibernia project.

## Prince Edward Island

Low mortgage rates will lead to the first increase in housing starts since 1988 in Prince Edward Island. The modest recovery will see an increase in starts from 553 units in 1991 to 635 units this year and a further gain to 650 units in 1993. A high apartment vacancy rate in Charlottetown will limit increases to starts of single-detached dwellings.

## Nova Scotia

The slow economic recovery will be positive for single-dwelling construction in Nova Scotia this year. But the rise will be too modest to offset a decline in the overbuilt apartment sector. As a result, housing starts are expected to drop slightly, from 5,173 units in 1991 to 5,000 units this year. In 1993, modest additional demand for new homes will lift total starts to 5,100 units.

## **New Brunswick**

New Brunswick was the only province to post an increase in starts in 1991, following a large drop the earlier year. As home ownership becomes more affordable and confidence improves, buyers will again be attracted to the market. Starts are expected to increase to 3,100 units this year as the single-dwelling market improves in the second half of 1992. A further gain to 3,500 units is forecast for 1993.

## **Quebec**

Housing starts in Quebec gained strength in the closing quarter of 1991 coinciding with the end of the provincial government home ownership program. However, the resulting housing production, combined with already high rental vacancy rates and a slow economic recovery will depress starts this year. The stronger momentum of the recovery will lead to higher starts in 1993. Starts were 44,654 in 1991, are forecast to drop to 38,900 this year before recovering to 47,500 in 1993.

## **Ontario**

Severely hit by the recession, housing markets in Ontario are expected to recover only slowly this year. Starts will rise from last year's level of 52,794 units to 70,000 units, with a further gain to 75,800 units in 1993. While the economic recovery will be slow, housing markets will be supported by lower interest rates and high

levels of in-migration from other provinces and abroad. Most of the increased activity is expected to take place in the single-detached market.

## **Manitoba**

Manitoba starts were down 41 per cent to 1,950 units in 1991, the lowest level on record and the largest provincial drop. The province also experienced the largest drop in economic activity and continued to suffer population losses through out-migration. This year and next, the provincial economy is expected to benefit from the recovery of its export industries, which will limit out-migration and boost housing starts to 2,380 and 2,900 units respectively. Most of this expanded activity will be concentrated in the single-detached dwelling market.

## **Saskatchewan**

Housing starts dropped to 998 units in Saskatchewan last year, the lowest recorded level in the province. Large out-migration has increased supply on the resale and the rental markets, which makes new construction less attractive. Starts are expected to recover to 1,325 and 1,350 units in 1992 and 1993 respectively, in part due to some large employers moving to the province. Housing market activity will be concentrated in the large urban centres as rural areas remain depressed because of low crop prices.

## **Alberta**

Supported by strong capital spending, the Alberta economy had the best economic performance in 1991. Still housing starts dropped by 28 per cent to 12,492 units as eroded consumer confidence and ample supply offset the impact of continuing in-migration. Modest economic growth will lift starts to 15,500 units this year and then to 16,250 units in 1993. In-migration from other provinces will be reduced as economic conditions improve in the major source provinces of Ontario and Saskatchewan.

## **British Columbia**

In response to declining mortgage rates and high in-migration, 1991 ended on a strong note for housing starts in British Columbia. With the economy forecast to perform more vigorously over the next two years, housing markets will hold their momentum. Total starts are expected to increase from 31,875 units in 1991 to 39,500 units this year, rising further to a record level of 44,100 units in 1993. Because of limited lot supplies in Vancouver and Victoria, affordability will be reduced and construction of multiple dwelling units will outperform that of single-detached units. ■



# Canada

by Gilles Proulx



## Housing Markets Inch Down

In tune with the weakening economic recovery, housing markets inched down during the fourth quarter of 1991 as the positive impact of lower interest rates was offset by several negative forces. These included job losses in manufacturing, as well as news of restructuring and downsizing of workforces, all of which led to sagging consumer confidence, lower spending and reduced interest in housing markets.

Housing starts reached an annual rate of 179,000 units, seasonally adjusted at annual rates, down slightly from 181,000 units in the third quarter. The level of starts peaked in October and then dropped in both November and December. Weakness was also evident in the resale market as houses sold through the Multiple Listing Service dropped 8.6 per cent from the third quarter level.

Diverging provincial trends underlie this national picture. At one extreme, the markets in British Columbia and Alberta gained strength in the fourth quarter. By contrast, markets peaked at mid-year in Ontario. An active social housing construction program was not sufficient to offset the depressing impact of industrial layoffs and the difficulties faced by the province's manufac-

turing sector. In Quebec, the market remained active mainly because of a government home ownership program that ended during the last quarter of the year. The Atlantic region performed fairly well with a strong second half of the year, although starts were down in the fourth quarter. Markets remained depressed in Manitoba and Saskatchewan.

For all of 1991, construction started on a total of 156,197 dwelling units, down 14 per cent from a total of 181,630 units in 1990. The starts cycle bottomed out in the first quarter of 1991 when the annualized level fell below 100,000 units. By type of units, there were 86,567 single- detached starts and 79,315 multiple starts in 1991.

## 1992-93 Outlook

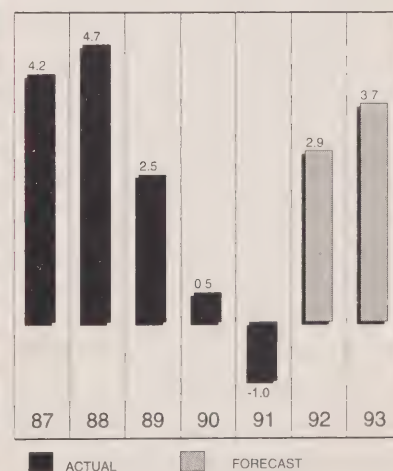
### Recovery to Regain Momentum

Several well known trends have hampered the economic recovery. They include: (1) the debt burdens of consumers, businesses and governments, with their associated spending cuts and, for governments, higher taxes; (2) weak export markets; and (3) a tough competitive environment for Canadian business

in world markets as well as on the domestic market because of recession, globalization of markets and a strong currency.

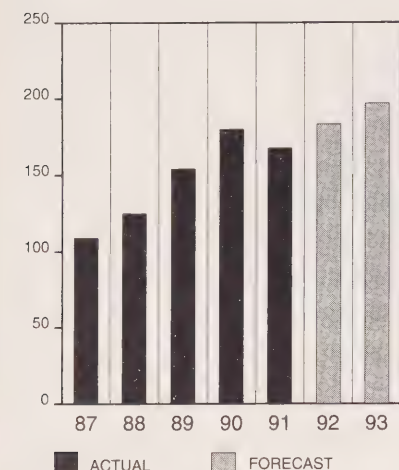
Forces are at work, however, that will reverse these trends and resume the recovery process. Interest rates were lowered substantially at the end of 1991 and in early 1992; and they are expected to fall somewhat more in the first half of the year. This will continue to lighten the burden of debt on consumers, governments and businesses. Spending restraint is also working to reduce the size of the debt in relation to incomes. The clear evidence of low inflation numbers will lead consumers to change

**Real Gross Domestic Product  
(% Change)  
CANADA**



SOURCE: Statistics Canada.  
CMHC: Forecast.

## Net International Migration Thousands CANADA



SOURCE: Statistics Canada.  
CMHC: Forecast.

perceptions about their real income situation. Strong bond and stock markets will work to improve business finances. Our export industries should benefit from a strengthening of the U.S. economy also due to lower interest rates and, possibly, some tax cuts. Finally, housing investment is expected to continue to support the recovery process as a result of the rise in starts from early 1991.

Gross domestic product, after a drop of 1.0 per cent in 1991, is expected to increase by 2.9 per cent this year and by an additional 3.7 per cent in 1993. The recovery process will gather momentum throughout 1992. Although real and not negligible, the recovery will not be as strong as previous recoveries.

Job markets will reflect this general improvement in economic conditions. Employment, which dropped by 1.8 per cent in 1991, is forecast to increase by 1.6 per cent this year and by 2.2 per cent in 1993. The unemployment rate is expected to drop only marginally, in line with the overall subdued pace of the recovery.

All provinces are anticipated to be part of the recovery process. In 1992, the growth leaders will be British Columbia, Ontario, New Brunswick and Newfoundland with rates of growth above or near the national average. The economies of the Prairie provinces, Quebec, Nova Scotia and Prince Edward Island will all grow by about two per cent in real terms.

## Housing Markets Will Improve But Only Gradually

As the economy picks up, housing markets will improve. They will continue to be sustained by low interest rates but they will also benefit from improving economic conditions.

High and steady flows of international migrants will also be a positive factor. International immigration targets have been set at 220,000 for 1991 and at 250,000 per year from 1992 to 1995. The targets, substantially above the actual level of migration of the 1980s, have easily been met so far. Those levels are consistent with levels of net migration of nearly 200,000 people per year, an element that will strongly contribute to higher housing demand.

Household formation will, however, be delayed by the slow improvement in job markets. Prospective home buyers will also have to adjust to the new non-inflationary environment: limited prospects of rapid home equity gains and interest rates, still high in real terms, will dictate a more prudent approach toward mortgage commitments.

The recovery will also be dampened initially by excess supply in the housing stock. The apartment vacancy rate, at 4.4 per cent nationally last October, is at its highest level

since 1972. There are also indications of excess supply in new housing: during the second half of 1991, the number of newly completed and unoccupied single and semi-detached dwellings rose, albeit modestly.

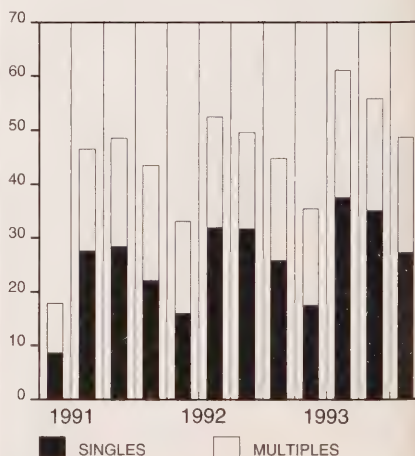
We expect housing starts to increase by 15 per cent in 1992 to a level of 180,000 units, starting at a somewhat lower level and improving gradually through the year. This level is slightly lower than in our previous forecast. The stronger momentum of economic activity should help push the level of starts to 201,000 units in 1993.

Both single and multiple starts will increase although the single-detached market will be more buoyant. Apartment construction will be depressed because of the current excess supply.

The resale market is also expected to improve only gradually. After a recovery of 20 per cent in 1991, unit sales are expected to rise by 4.1 per cent in 1992 and 5.9 per cent in 1993.

Lower interest rates and flat or falling home prices have worked to improve affordability in 1991, which was beneficial to first-time home

## Housing Starts Units Thousands (Qtrly) CANADA



SOURCE: CMHC.  
1992-93 Forecast.



buyers. However, doubts about the recovery especially toward the latter part of the year may have stopped many prospective buyers from entering the market. The return of a more secure economic climate may cause a resurgence of first-time buyers toward the middle of 1992. Afterward, move-up buyers should play a more significant role in the market.

While all regions of the country are expected to see improvement over the next two years, the rate will differ by province. British Columbia markets are expected to improve steadily, posting a record number of starts in 1993. Ontario should benefit most from a healthier economic climate, although it was especially hard hit by the recession and is expected to recover only

gradually. In Quebec, markets are expected to be depressed initially as the end of the home ownership program will probably leave some excess inventory. Markets in the Prairie provinces should rebound strongly this year following large drops in 1991. Overall, markets in the Atlantic region are expected to recover slowly.

Expectations of slow market advances in the new and the resale segments, with a non-inflationary environment and some excess inventory to be absorbed, leave only dim prospects for price appreciation. We expect the average resale price of homes sold through the MLS system, to rise less than one per cent this year and by 5.5 per cent in 1993. The New House Price Index, follow-

ing a drop of 7.1 per cent in 1991, due mainly to the depressed market for the construction industry and its suppliers, should see increases of 1.2 per cent in 1992 and 2.5 per cent in 1993, somewhat less than overall inflation.

Housing investment is expected to be a leading sector of growth in 1992 and 1993 because of an encouraging recovery from the depressed levels of the early part of 1991. Investment in residential construction is expected to increase in real terms by close to 9 per cent in 1992 and 10 per cent in 1993, taking into account the contributions of its three major segments, the new, resale and renovation markets. ■

**PROVINCIAL HOUSING OUTLOOKS**

# Newfoundland

*by Mac Woodman and Brian Martin*



**Highlights**

- Lower interest rates, employment growth and renewed confidence will contribute to a rebound in new home construction in the second half of 1992.
- Resale market is expected to show strength in the first half of 1992 and lead the housing recovery with increased sales in 1992 and 1993.

**Housing Demand Lower in 1991**

Higher unemployment and lower confidence stemming from economic uncertainty reduced the demand for housing in Newfoundland in 1991. Housing starts in urban centres remained depressed in the fourth quarter. However, high levels of owner/ builder activity in rural areas limited the decline in new home construction with total starts falling 12.6 per cent to 2,836 units in 1991. Single-detached starts fell 13.5 per cent to 2,135 units while multiple

unit construction was off 9.8 per cent to 701 units. Demand for rental accommodation in the St. John's area also weakened in late 1991 with the apartment vacancy rate rising to 6.9 per cent.

Signs of a recovery in the resale market in the third quarter, largely due to favourable interest rates, were short lived as reduced confidence tempered demand for existing homes for the remainder of 1991. Multiple Listing Service sales in the St. John's region fell 7.2 per cent to 1,799 units, their lowest level since 1986.

Price growth was moderated by excess supply and an increase in the sale of lower priced homes. Average sales price increased a modest 2.5 per cent to \$91,123. Including the Central Region, total MLS sales for the province declined 5.3 per cent to 1,892 units with the average sales price advancing 2.4 per cent to \$90,822.

## 1992-93 Outlook

### Provincial Economy to Expand

Following a year of virtually no growth, the provincial economy is expected to expand by 3.5 per cent and 3.0 per cent, respectively in 1992 and 1993. Substantial gains in non-residential investment associated with the Hibernia development and increased output in the province's inshore fishery will lead to an economic recovery this year. Low confidence levels and the threat of additional public sector cutbacks will delay the recovery with a gradual improvement in overall economic conditions not expected to take hold until mid-1992.

A return to more normal catch levels in the inshore fishery will provide a much needed economic boost to rural communities affected by the harsh ice conditions which devastated the industry in 1991. Following a year of additional mine closures and employment reductions, the mining industry is forecast to post modest gains in 1992-93. The expected re-opening of the Hope Brook gold mine and a recovery in the North American construction and automotive industries will stimulate mining output. Increased fish processing will contribute to growth

in the manufacturing sector in 1992-93. Expenditures associated with the Hibernia development are forecast to exceed \$700 million in 1992 before peaking at approximately \$1.0 billion in 1993. The project will be the major contributor to economic growth over the medium term with direct employment at the construction site expected to increase to 1,600 persons in 1992 before peaking at 3,000 persons in 1993.

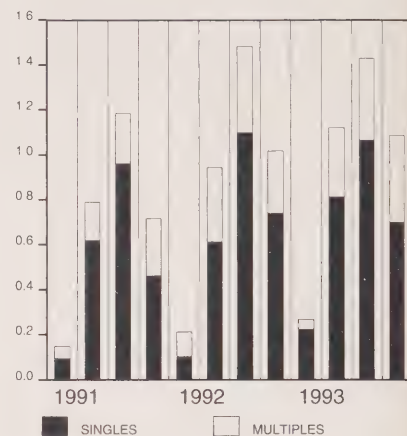
Low interest rates, employment gains and increased consumer spending will stimulate retail trade and boost service sector growth in 1992-93. New job creation will be concentrated in the construction and fishing industries with employment forecast to rise by 1.5 per cent in 1992. Labour force growth will push the province's unemployment rate to 18.7 per cent in 1992, before a marginal drop to 18.1 per cent in 1993.

Perceived employment spinoffs from the Hibernia development and the weak recovery in Central Canada will reverse the traditional exodus of people from the province. Total net migration is forecast at 1,500 persons in 1992 and 1,000 persons in 1993.

### Resale Market to Lead Housing Recovery

New home construction is expected to be weak in the first half of 1992 and rebound in the second half in line with a general economic recovery. Low interest rates, employment growth and renewed confidence will contribute to increased housing starts in 1992 and 1993. An improved migration picture and reduced inventories of existing housing will provide additional support to the residential construction industry over the forecast period. Total starts

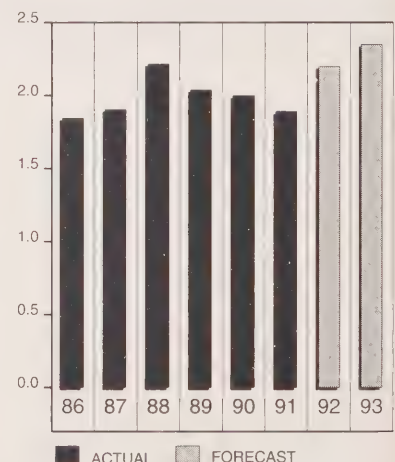
### Housing Starts Units Thousands (Qtrly) NEWFOUNDLAND



SOURCE: CMHC.  
1992-93 Forecast.

are expected to advance 28.7 per cent to 3,650 units in 1992 before climbing to 3,900 units in 1993. Following a 19.4 per cent increase to 2,550 units in 1992, single-detached starts will rise to 2,800 in 1993. Increased private investment in seniors' housing, higher levels of single-detached units with accessory apartments (duplex) and a carry-over

### Residential MLS\* Sales Units NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



of Federal/Provincial assisted housing will result in significant gains in multiple unit construction.

The recovery in the resale market is expected to lead new construction, with the market showing signs of strength in the first half of 1992. Low interest rates and improved affordability will stimulate first-time homebuying. Pent-up demand from move-up buyers unsuccessful in selling their homes in 1991 will generate additional sales. Total MLS sales for the St. John's region are forecast to increase 16.7 per cent to 2,100 units in 1992 before advancing to 2,250 units in 1993. MLS sales in the Central Region will approximate 100 units annually over the next two years. Increased sales of homes to first-time buyers will limit price growth with the average sales price of total provincial MLS sales forecast at 4.0 and 5.3 per cent, respectively, in 1992 and 1993.

Continued weakness in the St. John's economy and the seasonal

out-migration of students will increase the supply of available rental units in early 1992 with the apartment vacancy rate expected to climb to 8.6 per cent. Increased demand for homeownership brought about by improved affordability and an increasing supply of duplex units will limit the construction of additional

projects containing three or more units over the forecast period. Vacancy rates will fall to 5.8 per cent in October 1992 and range between 4.1 and 6.4 per cent in 1993. Rental rates for above average-quality accommodation are expected to increase at or slightly above the rate of inflation over the forecast period. ■

#### Key Provincial Indicators NEWFOUNDLAND

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	0.0	3.5	3.0
Employment (% Change)	-2.0	1.5	2.0
Unemployment Rate (%)	18.4	18.7	18.1
Housing Starts (Units)			
Total	2836	3650	3900
Singles	2135	2550	2800
Multiples	701	1100	1100
MLS* Sales (Units)	1892	2200	2350
Average MLS* Price (Dollars)	90822	94500	99500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Prince Edward Island

by Ralph Freeze

## Highlights

- Housing starts forecast to increase for first time since 1988.
- Government restraint and minimal employment growth restrict housing recovery to marginal growth.
- Charlottetown vacancy rates continue climb, while Summerside's plummet.

## Housing Starts Decline by 27 Per Cent in 1991

After modest improvements in the first half of 1991, both housing starts and residential sales on Prince Edward Island declined during the second half of the year. At year end, starts were 553 units which represents the lowest level since 1982. The fourth quarter saw a decline of 55 per cent in total starts from the same period in 1990. Although mortgage rates fell during the second half of 1991, the Island was experiencing record high unemployment and the number of people who left Prince Edward Island in 1991 was the highest in over 20 years.

By the end of the year, total sales of existing houses had increased by

3.0 per cent. This represents a significant fall from the gains experienced during the first six months of 1991. Lower interest rates and relatively stable prices enticed many first-time home buyers. Since these buyers tend to purchase lower priced homes, the average sale price did not increase significantly.

Apartment vacancies in Charlottetown continued the upward trend during 1991. The October vacancy rate was at an all time high of 5.2 per cent, mainly due to newly completed apartment units. While there are no vacancies in Summerside, uncertainty surrounding the units under lease to the Department of National Defense will hinder new construction activity.

## 1992-93 Outlook

### Economy to Recover Slightly in 1992-93

In 1992 and 1993, the economy is forecast to grow by 2.1 and 2.3 per cent respectively. Non-residential construction and modest improvements in the fishing and agriculture industries will drive the growth. Construction of the GST centre in Summerside, the pathology laboratory

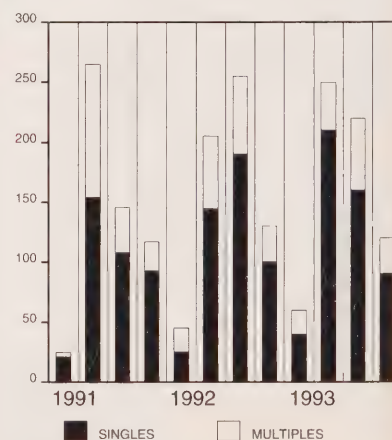


and major school renovations in Charlottetown will be a few of the bright spots during 1992-93. Increases in farm incomes will be partially in the form of assistance for losses due to the potato virus from the past two crop years.

Although proposals for construction of the fixed link between the Island and New Brunswick have passed environmental reviews, economic viability under current conditions appears to be a hurdle. Based on this, the impact of the link is not included in this forecast.

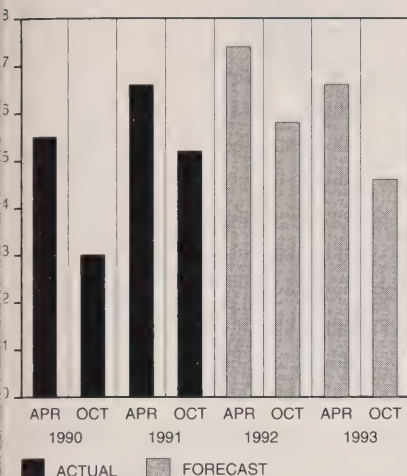
Reduced federal transfer payments will limit the options available

**Housing Starts  
Units Thousands (Qtrly)  
PRINCE EDWARD ISLAND**



SOURCE: CMHC.  
1992-93 Forecast.

**Charlottetown Vacancy Rate**  
**3 units or more, privately**  
**initiated)**  
**per Cent**



SOURCE: CMHC.

to the provincial government. Tourism is not forecast to recover substantially in 1992 after a weak year in 1991. High unemployment in the region, coupled with minimal income growth, will limit prospects for the tourism industry.

Traditionally, the service sector has helped to insulate the Island during economic recessions. In the current one, the service industries have been affected significantly. Employment growth is forecast to be very low. The unemployment rate is expected to improve slightly.

## Single Starts Forecast to Rise

Low mortgage rates will lead to the first increase in housing starts since 1988. In total, housing starts will increase to 635 units in 1992 and 650 in 1993. Relatively stable prices and low interest rates will continue to draw first-time home buyers and builders into the market. Starts of single-family homes are forecast to increase by 22 per cent to 460 units in 1992. In contrast to this, multiple starts are forecast to drop to 175 units as recently completed construction has pushed vacancy rates to new highs. A sputtering recovery in the first part of the year will delay new construction to the second half of the year.

Sales of existing homes will increase by 10 per cent in 1992.

Homes owned by military personnel in Summerside have already been placed on the market, and sold. This will reduce the number of listings and help the market move toward a balanced position. The modest improvement in demand for existing homes and fewer listings will increase the average sale price marginally to \$73,000.

Home sales are forecast to increase again in 1993 due to low interest rates. Reduced vacancy rates will leave room for rents to increase. This will encourage first-time home buyers to consider purchasing. The expected average sale price will rise only modestly to \$75,000 because of the high number of first-time buyers keeping average prices low. ■

### Key Provincial Indicators PRINCE EDWARD ISLAND

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.2	2.1	2.3
Employment (% Change)	-4.2	0.4	1.9
Unemployment Rate (%)	16.8	16.0	15.4
Housing Starts (Units)			
Total	553	635	650
Singles	376	460	500
Multiples	177	175	150
MLS* Sales (Units)	764	840	875
Average MLS* Price (Dollars)	71033	73000	75000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



# Nova Scotia



by André Moore and Joel Baltzer

## Highlights

- Slow economic recovery in 1992 will moderate improvements in residential construction industry.
- Housing demand will strengthen over the summer, spurred on by pent up demand, low house prices, and the lowest interest rates in about 20 years.
- Single-family home starts will increase in 1992, but this rise will be more than offset by reduced apartment construction. Consequently, total housing starts will fall 3.3 per cent in 1992.

## Housing Demand Tumbled in 1991

Nova Scotia's housing industry was lackluster in 1991. The province's weak economy dampened housing demand, despite easing mortgage rates throughout the year. Rising unemployment, reduced disposable income, and high personal debt levels deterred many households from buying homes. Starts of single-family homes fell 28 per cent, while sales of existing homes decreased by four per cent. Many potential buyers in late 1991 opted to "wait till spring" before making a move.

Increased apartment construction, particularly in Metro Halifax, helped sustain Nova Scotia's residential construction industry throughout the

year. An estimated 2,500 construction jobs were lost in 1991, but many more workers would have been unemployed if not for apartment construction. Apartment starts increased 47 per cent for the year, and contributed to the 34 per cent increase in multiple unit starts. Tough economic conditions have discouraged many renters from buying their own homes, which in turn has encouraged developers to build new apartments. However, the apartment construction boom contributed to an excess supply of available units, and resulted in higher rental vacancy rates.

## 1992-93 Outlook

### Economy on the Mend

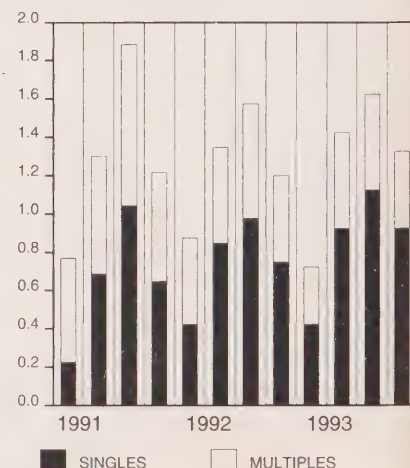
Nova Scotia successfully resisted the recessionary trends building in Canada in 1990, but dropped sharply into recession in the spring of 1991. Nova Scotia will not recover from the recession quickly. The economy is expected to be sluggish in 1992, achieving only 1.9 per cent growth, before climbing to 2.5 per cent in 1993.

Many factors will inhibit the economic recovery this year. Consumer spending will remain constrained by low income growth and high personal debt. Government expenditures are constrained by rising

debt, resulting in potential cuts to social, education, and health programs. Export competitiveness remains weak in light of the high value of the Canadian dollar and reduced foreign demand. Investment spending, although the main source of economic growth this year, is negatively affected by the current economic climate and low corporate profits.

Large investment projects will help sustain the economy while consumer confidence rebuilds in 1992 and 1993. These include several new hospitals, NSPC's thermal generating station at Point Aconi, twinning of the Trans-Canada Highway, Panuke and Cohasset oil field development, Maritime Telegraph and Telephone's multi-year modern-

**Housing Starts**  
Units Thousands (Qtrly)  
**NOVA SCOTIA**



SOURCE: CMHC.  
1992-93 Forecast.



ization program, and a busy schedule of shipbuilding.

The recession resulted in 7,000 jobs lost in 1991. Of this employment loss, 2,000 workers dropped out of the labour force, while the remaining 5,000 continued to search for work. Nova Scotia's labour market will turn around slowly, with employment rising by 3,000 in 1992, and 4,000 in 1993. However, the unemployment rate will show small improvements, dropping from 12.0 per cent in 1991, to 11.6 per cent in 1992, and 11.4 per cent in 1993.

## Housing Demand Rebounds, But Gradually

Despite a gradual recovery in Nova Scotia's economy, total housing starts will decline in 1992. Provincial housing markets cannot sustain the high rate of apartment construction experienced in 1991. As such, total housing starts will fall 3.3 per cent in 1992, to 5,000 units. In 1993, additional demand for new homes will push total starts up two per cent to 5,100 units.

Attractive financing, competitive builders, and reasonable land prices throughout the province make it an ideal time to build new homes. Demand growth, although gradual, will push single family home starts up 15.2 per cent to 3,000 units this year, followed by an additional 13.3 per cent increase to 3,400 units in 1993. The recovery will provide a much needed employment boost for the province's ailing construction industry.

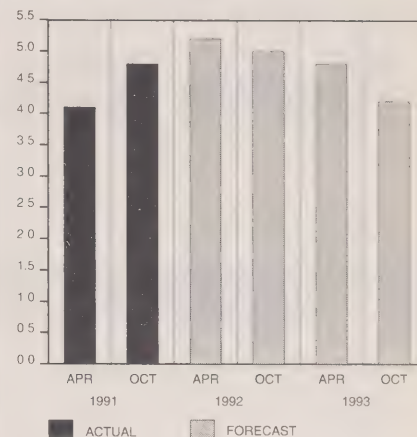
Low mortgage interest rates will also help increase existing home sales by 8.4 per cent to 6,300 units in 1992, and a further 3.2 per cent to 6,500 in 1993. The rise in home sales will be moderated by a shift in

demand to the new housing market and by the fact that 1991 volumes were relatively high. Increased housing demand will help firm up house prices, and reduce the spread between asking price and sale price. Average prices will rise 4.1 per cent to \$90,000 in 1992, and a further 4.4 per cent to \$94,000 in 1993.

During the forecast period, apartment construction will be curtailed as developers respond to the large inventory of units under construction, increased vacancies, slowing rental demand, and cautious lenders. Reduced apartment construction will be partly offset by increased semi-detached and row housing starts. Improved buying conditions and more first-time buyers will encourage contractors to build more entry level, semi-detached dwellings. Consequently, multiple unit housing starts will drop 22 per cent to 2,000 units in 1992, and a further 15 per cent to 1,700 units in 1993.

Urban rental markets will remain oversupplied during the forecast period. Favorable mortgage rates, stable house prices, and increased consumer confidence will encourage more renters to buy their own homes.

**Halifax Vacancy Rate  
(3 units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

In Metro Halifax, slowing rental demand and more new apartment completions will push the vacancy rate to 5.0 per cent in October 1992. The rate will ease to 4.2 per cent in October 1993 as more people move to Halifax for job opportunities. Competitive rental markets will result in modest rent increases of about four per cent, with many landlords continuing to offer lease-signing incentives. ■

## Key Provincial Indicators NOVA SCOTIA

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.6	1.9	2.5
Employment (% Change)	-1.9	0.8	1.1
Unemployment Rate (%)	12.0	11.6	11.4
Housing Starts (Units)			
Total	5173	5000	5100
Singles	2604	3000	3400
Multiples	2569	2000	1700
MLS* Sales (Units)	5811	6300	6500
Average MLS* Price (Dollars)	86462	90000	94000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# New Brunswick

by Bruce Read

## Highlights:

- 1991 performance in new construction market ahead of rest of Canada.
- Total housing starts to reach 3,100 units in 1992.
- Sales in the resale market to increase by four per cent.
- Vacancy rates in the rental market to increase.

## Housing Market Holds the Line in 1991

New Brunswick was the only province to post an annual increase in residential construction activity last year. Total housing starts for the year moved up from 2,683 in 1990 to 2,872 this past year. The gain in new construction activity was mainly due to a 32 per cent increase in multiple housing unit construction.

Activity in the resale market remained flat over the past year. Total MLS sales fell by 1.7 per cent to 3,259 units during 1991. While sales declined slightly in Saint John and Moncton, there were some small gains in the Fredericton and North Shore markets. The number of homes on the market that were available for sale at year end was down 25 per cent from the 1990 level. This

decline in supply, in combination with falling interest rates, lifted the average price of homes sold during 1991 up by 4 per cent to \$80,897.

## 1992-93 Outlook

### Economic Prospects Improve Over Forecast Period

The New Brunswick economy entered the recession after most areas in Canada and will be one of the last provinces to move into the recovery phase. The economy, which contracted by 0.9 per cent in 1991, will record a 2.8 per cent growth rate in 1992. This will come as a result of improving export markets, particularly that of the northeastern part of the United States. As the recovery continues in 1993, the growth rate is forecast to moderate to the 2.5 per cent level.

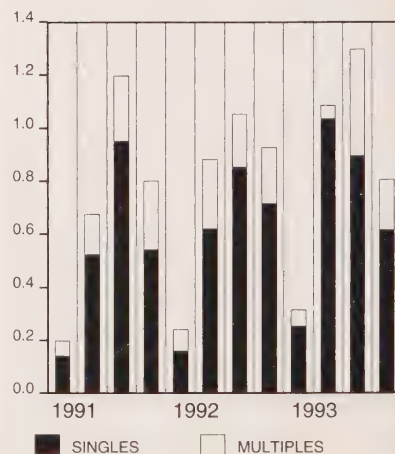
The forestry sector and related industries provide one out of every seven jobs in the province. The high value of the Canadian dollar and over capacity in the international marketplace have had a detrimental effect on the industry. During the past year, the local industry has adjusted to these conditions and is now prepared to take advantage of expected market improvements in the second half of 1992.

The construction and shipbuilding industries are important to the local economy. Work on the \$6.2 billion Canadian Frigate Program in Saint John will continue to provide employment for upwards of 3,500 workers. The construction industry is also active with several large scale publicly financed jobs. Projects such as the \$1 billion Belledune Thermal Generating Plant and the two recently announced wood burning generating plants will keep the non-residential sector busy until late 1993.

The service sector will experience modest employment growth over the outlook period. This will occur as a result of increased activity in the business and personal services industries. Cross border shopping that



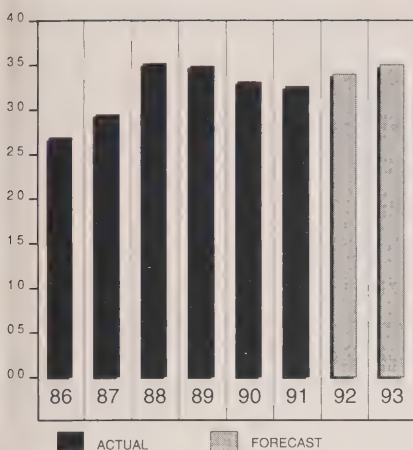
**Housing Starts**  
**Units Thousands (Qtrly)**  
**NEW BRUNSWICK**



SOURCE: CMHC.  
1992-93 Forecast.



## Residential MLS\* Sales Units NEW BRUNSWICK



SOURCE: The Canadian Real Estate Association, CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

has already resulted in many store closures will, however, dampen retail trade. The public administration sector could lose additional jobs when the provincial government delivers the spring budget.

As a result of a slow recovery, employment in the province is forecast to rise by about 3,000 jobs in both 1992 and 1993. This will offset the impact of the recession that resulted in a loss of close to 5,000 jobs in 1991 and sent the unemployment rate up to 12.7 per cent.

## Housing Markets to Display Modest Growth

Most segments of the housing market will improve over the outlook period. As the local economy regains strength and consumer confidence rebounds, low mortgage rates will attract buyers and developers back into the market place in the second half of the year.

The new construction market that posted a seven per cent gain in 1991 will continue into 1992 with a 7.9

per cent increase in overall activity. The forecast of 3,100 housing starts consists of 2,350 single detached homes and 750 multiple units. In 1993, new housing will increase further to 3,500 units.

The current economic uncertainty will limit speculative building in the homeownership market this year. As the economy regains strength in 1993, builders will become less hesitant to build without a firm contract in hand. Low mortgage rates will also support investor confidence and sustain the high level of multiple-unit construction. With the condominium tenure still uncommon to most markets, the majority of multiple units started will be targeted at the rental market.

The recovery in the resale market will occur before further improvements in the new construction market. The number of sales in 1992 are forecast to increase by four per cent to 3,400 units. Prompted by low mortgage rates and modest house prices, home buyers will again begin to re-enter the market early in the

second quarter of this year. By 1993, improved economic conditions will support sales of around 3,500 units.

The supply of available existing homes for sale has dropped 25 per cent from a record high of 2,588 at year end 1990 to 1,930 this past December. The decrease in supply combined with the low cost of mortgage money will apply upward pressure on prices. The average price of homes sold through the local Real Estate Boards is forecast to increase by 3.6 per cent to \$83,800 this year. Prices will rise by an additional five per cent in 1993.

The rental market in 1992 will experience only modest changes. The average vacancy rate for the six cities reached 3.7 per cent this past fall. As potential home buyers are lured out of their current rental accommodations by record low mortgage rates, the vacancy rate this year will inch upward to 3.9 per cent. This slight drop in demand will moderate rental rate increases and keep them in line with the overall rate of inflation. ■

## Key Provincial Indicators NEW BRUNSWICK

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.9	2.8	2.5
Employment (% Change)	-1.7	1.0	1.0
Unemployment Rate (%)	12.7	12.3	12.1
Housing Starts (Units)			
Total	2872	3100	3500
Singles	2154	2350	2800
Multiples	718	750	700
MLS* Sales (Units)	3259	3400	3500
Average MLS* Price (Dollars)	80897	83800	88000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Quebec

by Kim-Anh Lam

## Highlights

- Housing construction to drop again in 1992 before starting to rise in 1993.
- Quebec's economy: recovering slowly in 1992 and expected to improve in 1993.

## Housing Construction Declines by 7.1 Per Cent in 1991

Thanks to an upswing in housing construction during the last quarter of 1991, the year closed with 44,654 units, down only 7.1 per cent from 1990. In spite of difficult economic conditions during the last quarter, starts climbed by 34 per cent from the previous quarter. This upsurge in construction was largely due to the extension of the Deal Estate Program until November 15, 1991.

Economic conditions remained frail at the end of 1991. Company closures and bankruptcies were constantly in the news. The recession caused an annual net loss of 68,000 jobs. During the fourth quarter, however, job losses were beginning to slow down, indicating some relief. Year over year average job losses decreased to only 27,000 during the last quarter, compared to 64,000

during the previous quarter. Shaky economic conditions continued to weaken consumer and business confidence, despite steadily declining interest rates.

Housing construction in 1991 was bolstered by considerable gains in the market segment of properties selling for under \$110,000. Indeed, the number of semi-detached and row housing starts (8,124) more than doubled compared with 1990. Likewise, small projects of modest condominiums resurfaced, with a gain of 41 per cent. However, single-family home construction declined by 10 per cent.

Rental construction plummeted 33 per cent. Several factors hurt this sector. Job losses, especially among young people, reduced the demand for rental housing. As well, provincial homeownership assistance programs, combined with improved affordability due to lower interest rates, drained the renter pool. Vacancy rates in urban centres climbed to the highest levels since 1971. The provincial average was 7.1 per cent.

The resale market reflected the same economic uncertainties. MLS sales during the last quarter of 1991 were up by only 5 per cent compared to the same period in 1990. The market recovered slightly, but not sufficiently to offset the low sales in early 1991. Annual sales of 27,988

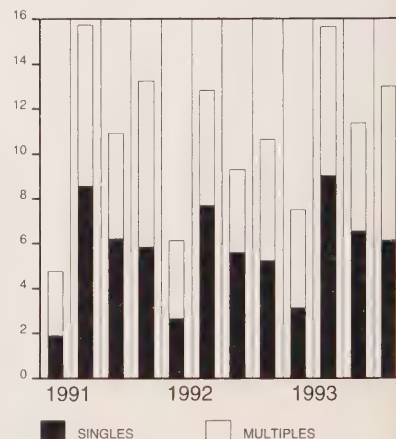
units were unchanged from the previous year, while the number of MLS listings increased. Many potential sellers, whose hopes had been dashed by the recession, were thinking that, with lower interest rates, they could finally find buyers for their properties. An unbalanced real estate market limited the average price increase to 2.1 per cent.

## 1992-93 Outlook

### Construction Drops Again in 1992, Rises in 1993

Housing construction activity, forecast at 38,900 starts for 1992, will be declining for the fifth

**Housing Starts  
Units Thousands (Qtrly)  
QUEBEC**



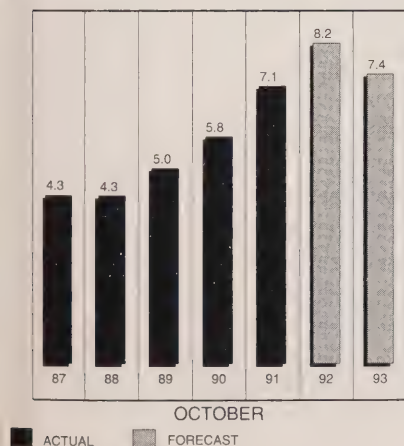
SOURCE: CMHC.  
1992-93 Forecast.



consecutive year. The market is saturated with a large stock of homes for sale and units for rent. Uncertain economic and political conditions will not help the situation. However, this year's 13 per cent drop will mark the end of the cycle. For 1993, activity will rebound up to 47,500 units as a new growth phase begins.

Economic activity is expected to improve slightly in 1992, with GDP rising by 2.1 per cent. Signs of recovery are still weak. Consumption looks bleak and there are no major capital projects in sight. Ongoing constitutional debates and the postponement of the Grande-Baleine hydroelectric project are limiting potential growth. The export sectors, however, will slowly begin to show some growth as the U.S. economy recovers. The community and health services sector, responding to demographic pressures, will continue to increase its work force, a trend which started in 1991. The manufacturing sector, which was the hardest hit by the recession, will need more time to recover.

**Quebec Vacancy Rate  
(3 units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

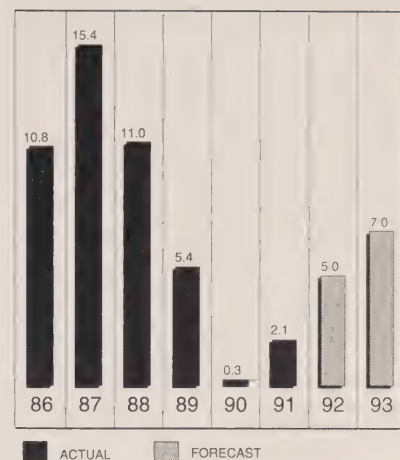
Net job creation, estimated at 36,000 for 1992 and at 53,000 for 1993, will barely reduce the unemployment rate. This rate is expected to be 11.4 per cent this year and 11.2 per cent in 1993, compared to 12.0 per cent last year. Quebec's economy may achieve a better performance in 1993, with the GDP rising by 3.5 per cent, as the U.S. economy continues to recover and the constitutional issue will possibly be resolved.

The contribution of net migration to the demand for housing will remain at 24,000 people in 1992 and rise to 26,500 in 1993. Higher immigrant quotas will offset the net interprovincial out-migration. Poor employment prospects and continuing constitutional uncertainty are to blame for the larger number of out-migrants to other Canadian provinces.

Single-family home construction will decline to 21,200 units in 1992, but will rise to 24,800 units in 1993. Move-up buyers will gradually come back to the market, as consumer confidence is restored. New home price increases will be just over the inflation rate. Since the Quebec Sales Tax, which is applicable to new homes, is being postponed to July 1992, price increases will be limited to 3.5 per cent in 1992. However, the higher demand for homes in 1993 will cause the average price to rise by 6.0 per cent.

Multiple housing construction (semi-detached homes, row houses and apartments) will decrease by 20 per cent in 1992. The gradual absorption of the new housing stock and better employment prospects will breathe new life into multiple housing construction, with a 28 per cent increase forecast for 1993.

**Average Residential MLS\* Price  
% Change  
QUEBEC**



SOURCE: The Canadian Real Estate Association. CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

The rental sector, following a high vacancy rate of 8.0 per cent expected for this year, will fall to a very low level of activity, with starts forecast at 8,200 units for 1992. This figure will climb to 14,000 in 1993, as demand improves.

With no homeownership assistance programs, first-time buyers will return to the resale market. Consequently, there will be a considerable decline in modest home starts, namely semi-detached and row houses, which will experience a 29 per cent drop. Condominium construction, dominated by less expensive projects in 1991, will hit its lowest point in 1992 with 3,700 starts. Activity will then rise to 5,000 starts in 1993, and luxury condominium projects will begin to reappear.

The resale market was not able to benefit from reduced interest rates last year, due to competition from the affordable new home market. The economic recovery and low

interest rates will contribute to a more balanced resale market, with MLS sales forecast to rise by 9 per cent in 1992 and by 5 per cent in 1993. A better balance between supply and demand will also allow for higher average price increases, estimated at 5 per cent in 1992 and at 7 per cent in 1993. ■

## Key Provincial Indicators QUEBEC

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.6	2.1	3.5
Employment (% Change)	-2.2	1.2	1.8
Unemployment Rate (%)	11.9	11.4	11.2
Housing Starts (Units)			
Total	44654	38900	47500
Singles	22531	21200	24800
Multiples	22123	17700	22700
MLS* Sales (Units)	27988	30500	32000
Average MLS* Price (Dollars)	102904	108500	116000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## PROVINCIAL HOUSING OUTLOOKS

# Ontario

by Alex Medow



## Highlights

- Low interest rates, migration and economic recovery will encourage Ontario residential construction.
- Move-up buyer demand will motivate construction of single detached units.
- Government of Ontario assisted rental construction will help create employment in 1992.

## Housing Recovery Stalled in Fourth Quarter

Uncertain job prospects and weak consumer confidence have caused Ontario housing markets to retrench

by the last quarter of 1991. Owning a home has become more affordable than it has been for several years, as both home price and interest rate declines combined to reduce mortgage carrying costs. The flurry of home sales and price increases, which Ontario witnessed coming out of the recession in the second quarter of 1991, has vanished.

In spite of recent interest rate declines, the rapid pace of the Ontario housing starts recovery faded by the fourth quarter among signs of a renewed weakness of the Ontario economy. Ontario new home starts were at a seasonally adjusted annual rate (SAAR) of 32,000 during their

recessionary low in the first quarter of 1991. By the third quarter recovering starts levels more than doubled to 70,000 SAAR, but then receded by a little over a fifth at year end to 55,000 SAAR. This fourth quarter starts drop was more pronounced for multiple unit structures, driven by declining condominium absorption levels and high apartment vacancy rates in most of Ontario's census metropolitan areas (CMAs). The results of the October 1991 rental market survey indicated that, with the exception of Ottawa and the northern cities of Sudbury and Thunder Bay, apartment vacancy rates in Ontario's CMAs hit levels



which were among the highest in a decade.

Buyers' market conditions prevailed across Ontario. Resale markets allowed potential home buyers to take their time and shop around for lower priced homes. In the second half of 1991 resale prices declined across Ontario's CMAs, with only London, Ottawa, Sudbury and Thunder Bay demonstrating modestly increasing average resale price trends. The monthly numbers of MLS home resales were on a downward trend in all Ontario CMAs except for the northern cities of Sudbury and Thunder Bay.

## 1992-93 Outlook

### Economy to Strengthen

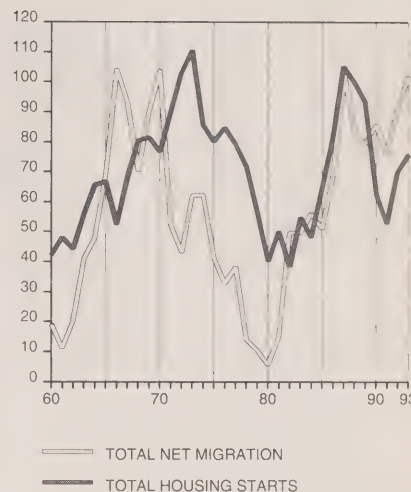
Following two consecutive quarters of employment increases from the first quarter's recessionary trough, employment levels fell by 0.3 per cent in the last quarter of 1991. Permanent job losses during this recession have primarily hit the lower wage industries, with the younger 15

to 24 year old age bracket affected the most. The high vacancy rates in 1991 have been a result of first-time purchases at the more affordable 1991 price levels and also as a result of "doubling up" among younger and lower income renters.

The latest available monthly indicators at the time of the writing of this report showed that recession ravaged Ontario was having a difficult time recovering. The help wanted index, which initially seemed to have hit bottom at 69 per cent in March of 1991, resumed a downward trend again in August. Retail and automobile sales data have shown that consumer confidence in Ontario remained weak. The trend of the real value of Ontario retail sales had been flat and in a trough since January.

Economic recovery and migration will act to stimulate Ontario housing markets in the next two years. Ontario employment will enjoy 1.8 per cent growth in 1992 and 2.7 per cent in 1993, supported by a modest recovery in the United States and the accompanying pro-cyclical growth of the manufacturing sector. Real Ontario GDP is expected to grow 3.6 and 4.4 per cent respectively. As discouraged workers re-enter the labour force, the unemployment rate will remain high initially at 9.6 per cent in 1992, but decline gradually to 8.9 per cent in 1993. Higher Canadian immigration quotas in 1992 and 1993 will increase the net international immigration to Ontario, while the improving economic climate will encourage a growing net interprovincial migration to the province. The resulting total net migration to Ontario is expected to grow by 19 per cent to 91,000 in 1992, and by a further 12 per cent to a near record level of 102,000 in 1993.

## Migration and Housing Starts Number of Persons and Units ONTARIO



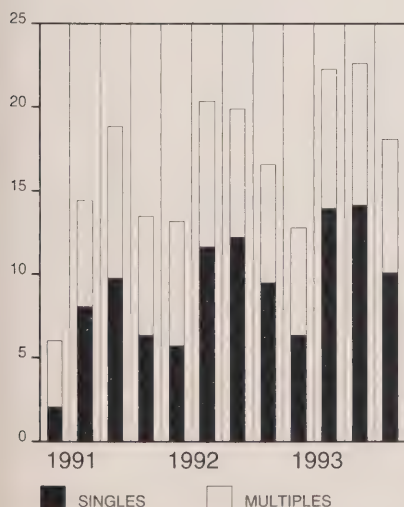
SOURCES: Statistics Canada, CMHC.  
1991 Migration, Estimate by CMHC.  
1992-93 Forecast by CMHC.

## Housing Market 1992-1993

Encouraged by lower interest rates, economic recovery and high net migration levels, Ontario housing starts are expected to rise by a third from 52,794 in 1991 to 70,000 this year and to 75,800 in 1993. The long term trend in the construction of the more expensive single-detached form of housing demanded by baby boom move-up buyers was interrupted by the recession. When this trend resumes in 1992, it will lead to higher and proportionately larger numbers of single-detached housing starts. As a result single-detached home starts will jump almost half to 39,100 and then rise further to 44,600 in 1993.

Row and apartment condominium units experienced a declining absorption trend throughout 1991; but there was also a more than 50 per cent decline of supply (units which are either under construction or completed and unoccupied). It is anticipated that condominium

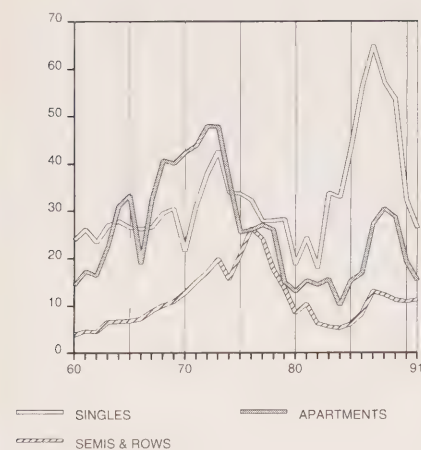
## Housing Starts Units Thousands (Qtrly) ONTARIO



SOURCE: CMHC.



### Detail of Total Housing Starts (Units) ONTARIO



SOURCE: CMHC.

absorption levels will pick up with the economy causing the number of condominium starts to increase modestly to 7,200 in 1992 from their recessionary low of 4,482 in 1991. A further increase of condominium starts to 9,900 units is expected in 1993.

Government assisted rental unit production in 1992 will help stimulate employment during Ontario's recovery from its deep recession. Most of Ontario's rental unit production will continue to be government assisted. In 1991 just under three quarters of rental unit starts received assistance. Over three quarters of the assisted rental units received unilateral aid from the government of Ontario while the remainder received assistance from both the federal and provincial governments. The number of government assisted

rental starts will increase by a fifth to 15,941 units in 1992, when construction begins on the relatively large number of recent commitments made under Ontario's programs such as "Homes Now". Rental unit starts will progressively decline as provincial construction commitments are fulfilled. There will be a total of 11,700 assisted rental starts in 1993.

Private rental construction in Ontario will continue to be low in the next two years as a result of high vacancy rates and the shift by builders to produce government assisted units. The decline in private rental starts will be more than a third in 1992, with approximately a 25 per cent rebound in 1993 coinciding with the decline in the number of government assisted rental starts.

Resale markets will stabilize in 1992 and show renewed strength in 1993. The month by month declines

of Ontario home resales and resale prices experienced in the second half of 1991 will stabilize in the first half of 1992 as Ontario employment growth brings back consumer confidence and consumers finally begin to take advantage of the lower interest rates. First-time buyer activity will continue to dominate the resale market keeping resale price gains modest throughout 1992. This year's annual average resale price of \$170,000 will be 2.1 per cent lower than in 1991. In 1993, amidst a much healthier Ontario economy, the annual average resale price is expected to rise 3.5 per cent, which will be close to the general rate of inflation. Home resales will be 1.5 per cent higher in 1992, and will jump by 9.4 per cent in 1993. ■

### Key Provincial Indicators ONTARIO

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.9	3.6	4.4
Employment (% Change)	-3.4	1.8	2.7
Unemployment Rate (%)	9.6	9.6	8.9
Housing Starts (Units)			
Total	52794	70000	75800
Singles	26290	39100	44600
Multiples	26504	30900	31200
MLS* Sales (Units)	126164	128000	140000
Average MLS* Price (Dollars)	173704	170000	176000

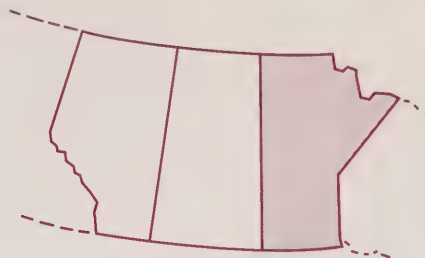
SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Manitoba

by Richard Goatcher



## Highlights

- Manitoba follows the national economy into recovery in 1992, with demand for new homes improving by the third quarter.
- Stronger consumer confidence will boost provincial housing starts by 22 per cent to around 2,400 this year and 2,900 in 1993.
- Buyers' market conditions in Winnipeg give way to a balanced market in late 1992, with continued improvement into 1993.
- Lower rental market vacancies forecast for Winnipeg.

## 1991 Housing Starts Fewest on Record

Demand for housing in Manitoba experienced a brief resurgence during the late spring and summer of 1991, as interest rates fell and the economy appeared on the verge of recovery. However, the weak provincial economy, especially in the first and fourth quarters of 1991, and continued out-migration resulted in an overall decline in new house activity. Total urban housing starts in 1991 fell by 37 per cent, representing the lowest level of activity recorded in Manitoba in the 44 years CMHC has been gathering housing statistics.

The province's resale markets experienced modest growth in 1991, with falling mortgage rates and affordable prices luring first-time buyers into the market. Residential sales recorded by the province's four MLS boards increased by 1.8 per cent while supplies of new listings declined. Average prices remained largely unchanged at \$80,450.

Recession and job losses forced many Winnipeg renters to double-up during 1991. This, in combination with increased movement into resale homeownership, caused Winnipeg's rental apartment vacancy rates to remain high last year. Vacancies in the city's privately-initiated apartment structures of three or more units rose modestly in October 1991 to 6.6 per cent, up by 0.2 per cent from the same month last year.

## 1992-93 Outlook

### Manitoba Economy to Experience Modest Recovery in 1992

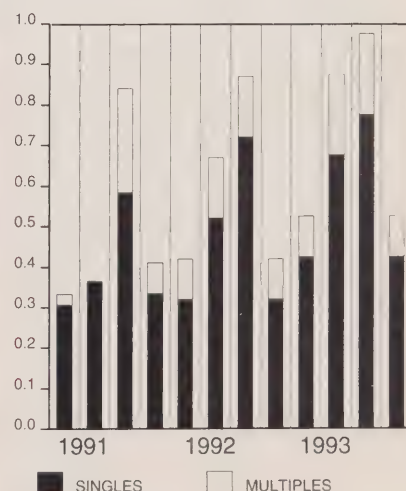
The demand for housing is influenced by income growth, employment opportunities, mortgage rates, demographic trends and consumer confidence.

Improvements in all these factors are expected in Manitoba in 1992.

On the employment and income side, economic growth in Manitoba weakened in the fourth quarter, following a modest expansion during the spring and summer, but stronger commodity prices, and increased exports will improve growth by the second half of 1992. Major improvements in consumer and business spending will lag until early 1993.

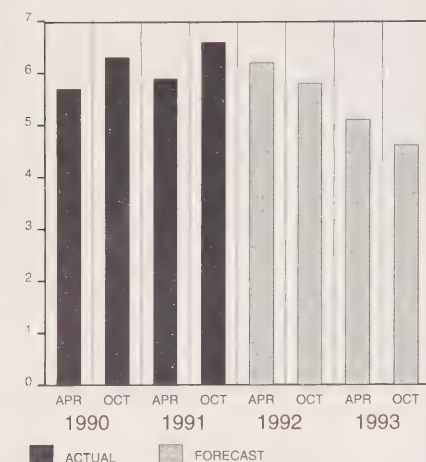
The province's exports will benefit from renewed growth in the rest of Canada and the U.S.. Primary metals, wood products, transportation-based manufacturers, machinery, and food and beverages will all profit from improved demand and increased export earn-

**Housing Starts**  
Units Thousands (Qtrly)  
**MANITOBA**



SOURCE: CMHC.  
1992-93 Forecast.

**Winnipeg Vacancy Rate  
(3 Units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

ings. Other primary industries, such as agriculture and forestry, will see stronger commodity prices in 1992, leading to increased spending and employment in the following year. Hydro-generation will experience increased export earnings associated with the completion of the Lime-stone generating station. Non-residential construction will increase in 1993 due to activities such as the Flin Flon smelter upgrade, the expansion of Boeing's Winnipeg plant and site preparations for the Conawapa power station, but growth will be moderated by the closure of the Canadian Forces Base in Portage La Prairie and its replacement by a private-sector flight school. As a result, real Gross Domestic Product (GDP) will grow by two per cent in 1992, after a 1.0 per cent drop in 1991. Growth will increase to 3.0 per cent in 1993 as the recovery gathers strength.

Population growth in Manitoba will remain modest in 1992, but

migration to other provinces will moderate as job prospects in Manitoba continue to improve. The 1992 recovery will lead to an increase of 6,000 jobs in the province, following a drop of over 11,000 last year. In 1993, the economy will generate an additional 10,000 jobs, representing a two per cent increase in employment. Since the number of new jobs will outpace growth in the labour force in both years, unemployment will decline. The improved labour market, combined with low mortgage rates and rising consumer confidence, will lead to increased household formation and stronger housing activity.

### Some Improvement in New Home Market Anticipated in 1992

The economic recovery will be sluggish in the first half of 1992, having a moderating effect on the performance of the province's housing markets. Provincial housing starts will increase to 2,380 units in 1992, representing an 22.1 per cent advance. Stronger economic growth in 1993 will push housing starts to

2,900 units. Improved demand, particularly from move-up buyers, will increase single-family construction in Manitoba to 1,880 units this year, 1,300 of which will be initiated in Winnipeg. In 1993, single starts will reach 2,300 units province-wide. High apartment vacancy rates in many centres will limit the recovery in multiple unit construction in both years.

Improved affordability, associated with continued low mortgage rates and stable prices, will increase demand in resale markets across Manitoba. In Winnipeg, buyers' market conditions will give way to a balanced market with stronger sales outpacing modest gains in new listings. Sales in the province's four MLS boards will rise 8.2 per cent in 1992 to 10,300 units, with moderate increases in the supply of new listings. Resale prices will remain largely unchanged this year as increased numbers of first-time buyers purchasing modestly-priced dwellings hold the MLS average down. Continued economic growth and sustained consumer optimism will increase 1993 MLS sales in Manitoba to 10,500

#### Key Provincial Indicators MANITOBA

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-1.0	2.0	3.0
Employment (% Change)	-2.2	1.2	2.0
Unemployment Rate (%)	8.8	8.4	7.6
Housing Starts (Units)			
Total	1950	2380	2900
Singles	1589	1880	2300
Multiples	361	500	600
MLS* Sales (Units)	9521	10300	10500
Average MLS* Price (Dollars)	80445	81000	83000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



units, with average MLS prices rising modestly to near \$83,000.

Reduced inventories of new apartments and stronger demand produced by increased employment and household growth in 1992 will allow

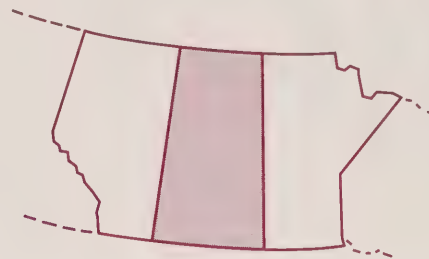
Winnipeg's rental apartment vacancy rates to experience steady declines throughout the forecast period. The vacancy rate in Winnipeg will drop to 5.8 per cent by October 1992, and 4.6 per cent by October 1993. Rental

increases in 1992 will remain below the general inflation rate in Winnipeg due to an oversupply of apartment units. ■

## PROVINCIAL HOUSING OUTLOOKS

# Saskatchewan

by Paul Caton and Bruce McDonald



## Highlights

- Stronger growth in the economy and improved consumer confidence will increase demand for housing in Saskatchewan.
- Modest increase in housing starts projected.
- Vacancy rates in rental accommodation to decline marginally in Regina/Saskatoon.

## Housing Markets Reach Lowest Level on Record in 1991

Housing starts in 1991 were 998, down 30 per cent from 1990. The primary reasons for this were out-migration and weak consumer confidence. New housing construction and the resale market began to recover in the last quarter of 1991 as a result of lower interest rates.

First-time home buyers have disappeared from the new housing construction market in recent years. The potential number of first-time home buyers has naturally declined due to

aging of the population and out-migration of young people. Moreover, the relatively low rental rates and affordable resale house prices mean that first-time homebuyers are either remaining in rental accommodation or buying existing housing units.

The resale market favoured buyers in 1991 as listings remained high relative to sales. Declines in the average resale price were seen throughout the province.

Vacancy rates in urban centres declined throughout 1991. A rise in the urban population, affordable rents and consumer uncertainty have fuelled demand for rental housing. Although vacancies are down, a surplus of rental accommodation exists and has prevented rents from increasing.

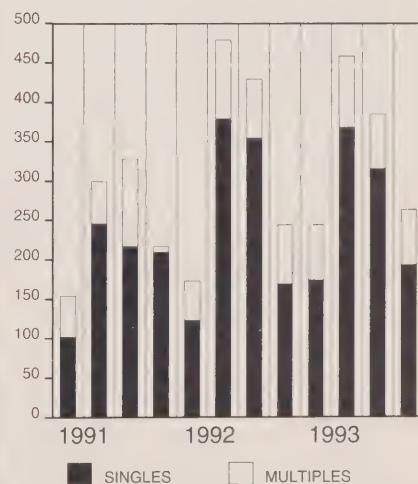
## 1992-93 Outlook

### Saskatchewan Economy to Improve

Saskatchewan's economy is forecast to grow by 2.2 per cent in 1992 and

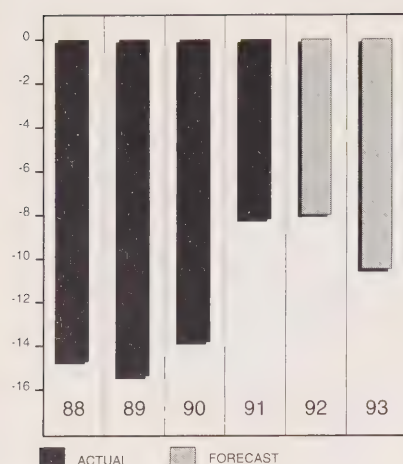
2.5 per cent in 1993. Growth in 1992 will stem from manufacturing output, mining, and increased residential construction due to lower interest rates and improved consumer confidence. Construction projects such as the Bi-Provincial heavy oil upgrader, Saferco fertilizer plant and Millar Western pulp mill, which were responsible for construction activity in 1991, will begin

**Housing Starts  
Units Thousands (Qtrly)  
SASKATCHEWAN**



SOURCE: CMHC.  
1992-93 Forecast.

### Total Net Migration Number of Persons SASKATCHEWAN



SOURCE: Statistics Canada.  
CMHC: Forecast.

production in 1992 and add to manufacturing output.

In 1991, Saskatchewan produced its largest grain crop on record as a result of better than normal growing conditions. Despite this, agricultural income remained low in 1991 due to poor prices in world grain markets. Agricultural output is expected to decline in 1992 and stabilize in 1993, assuming average growing conditions return. The lack of agreement at the latest round of GATT negotiations and continued difficulties in world grain markets suggest poor prospects for farm income in the foreseeable future.

Employment in the province in 1991 remained at the 1990 level. The number of jobs is forecast to increase by 2,000 in 1992 and another 2,000 in 1993 as the general economy improves and large employers, such as Crown Life and Farm Credit Corporation, move to the province. The unemployment rate, which was 7.4 per cent in 1991, is forecast to increase to 7.6 per cent

in 1992 due to lower out-migration from the province. The number of new jobs created will not keep pace with growth in the labour force.

Out-migration from Saskatchewan responds to relative economic conditions in other provinces. Since economic conditions in nearby provinces are not anticipated to improve significantly in 1992, out-migration will be below the high levels experienced in recent years. It will increase in 1993 as the economies in neighbouring provinces improve relative to Saskatchewan.

### Housing Starts Begin Recovery in 1992

Housing markets in urban centers will experience increased activity in 1992 and 1993 as a result of improved consumer confidence, lower mortgage rates, relocation of major employers from Ontario and migration rural residents to larger urban centers.

Housing starts in Saskatchewan are forecast to be 1,325 in 1992 and remain at 1,350 in 1993 compared to 998 in 1991. Larger, single-family

houses along with a small number of luxury and semi-luxury condominiums will predominate starts in 1992 and 1993. An increasing number of households in the 35 and over age group indicates that the majority of the demand for new housing will come from move-up buyers, empty-nesters and seniors. New house prices in most parts of the province should remain stable due to the availability of resale housing.

In the last quarter of 1991, the number of active listings declined and sales volumes increased. Sales are forecast to increase in 1992 as a result of lower mortgage rates and this will place upward pressure on the prices of homes in some resale markets. Listings will remain relatively high in most centres and these markets will continue to favour buyers.

Vacancy rates in urban rental markets should continue to decline. The rate of decline in vacancies will, however, be slowed by the shift of renters to home ownership. Rising operating costs will place considerable pressure on landlords to maintain income and increase rents in the

### Key Provincial Indicators SASKATCHEWAN

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	1.2	2.2	2.5
Employment (% Change)	0.0	0.4	0.4
Unemployment Rate (%)	7.4	7.6	7.5
Housing Starts (Units)			
Total	998	1325	1350
Singles	775	1025	1050
Multiples	223	300	300
MLS* Sales (Units)	6505	6810	7060
Average MLS* Price (Dollars)	67697	71000	72500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



future. However, the surplus of rental housing in Saskatchewan will mean that there will be little opportunity for rental rate increases and no opportunity for new construction in 1992 and 1993.

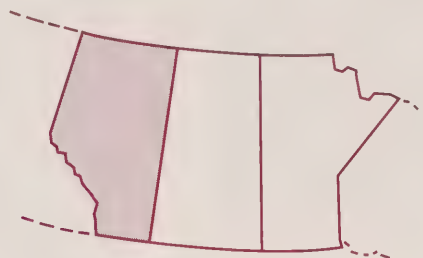
Rural areas will not share in the increased activity of urban centres in 1992 and 1993 due to migration to larger cities and towns. This migration stems from a depressed rural economy hurt by low grain prices.

Fewer housing starts, low resale activity and high vacancies will remain the norm. ■

## PROVINCIAL HOUSING OUTLOOKS

# Alberta

by Laurie Scott and David Peever



## Highlights

- Economy sustained by investment in 1992
- New construction to revive with lower interest rates
- Increased affordability a boon to first-time buyers

## Market Slows in 1991

In many respects 1991 was a disappointing year for Alberta housing markets. Consumer confidence declined as a result of large layoffs in the public and private sectors, as well as news of the recession in Central Canada. Combined with weaker GDP growth, the result was a decline in new construction of 27.5 per cent from 1990's banner levels, to 12,492 units. The fourth quarter, however, was relatively firm, with total starts up nearly four per cent over the third quarter. The real estate market followed a slightly different course, with a soft fourth quarter finishing off an otherwise active year. MLS residential sales nevertheless rose 3.9 per cent over 1990,

while the average resale price climbed a modest 2.6 per cent.

Rental markets province-wide were soft compared to 1990. Although the provincial vacancy rate declined by 1.9 percentage points between April and October, both of CMHC's surveys found higher vacancy rates than the previous year.

## 1992-93 Outlook

### A Stronger Economy in 1992

Economic growth is key to the health of housing markets, in that it provides consumers with the employment, income, and confidence to invest in a home. The Alberta economy is poised to strengthen in 1992, although the growth will be less vigorous than elsewhere in Canada. The province has been shielded from the national recession by high levels of investment in energy, forestry and petrochemicals. Some of these projects, such as the natural gas processing plant at

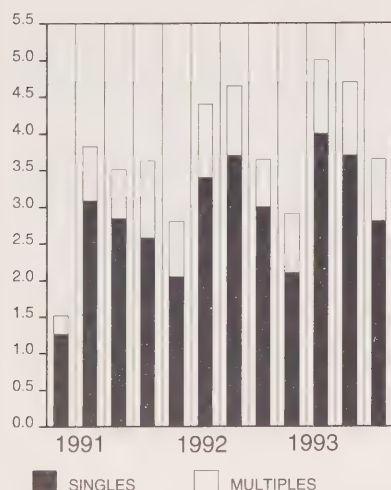
Caroline and the heavy oil upgrader at Lloydminster, will essentially be completed in 1992.

For much of the year, however, investment spending will provide a platform from which the consumer will boost economic growth, to 2.2 per cent (after inflation) from an estimated 0.9 per cent in 1991. Lower interest rates will play a key role in the revival of consumer confidence. In 1993 an improved energy sector outlook, resulting from the availability of new gas pipeline capacity, will compensate for the decline in investment. Real GDP growth on the order of three per cent is anticipated.

Alberta continues to benefit from in-migration. Current estimates suggest that nearly 21,000 more people moved to Alberta than left the province in 1991. Of these, just over one third came from other provinces, notably Ontario and Saskatchewan. As the economies of these provinces improve in 1992 and 1993, fewer people will be inclined to move to Alberta. Net migration is expected to total 18,500 in each of the next two years.



## Housing Starts Units Thousands (Qtrly) ALBERTA



SOURCE: CMHC.  
1992-93 Forecast.

## New Construction to Increase

The new home market will be the chief beneficiary of the improved economy. Housing starts are expected to increase 24.1 per cent in 1992, and a further 4.8 per cent in

1993. The mix of single-family versus multiple-family homes will differ depending upon the centre. In Edmonton, recent strength in single-family and multi-family construction is expected to continue, while the Calgary market will see gains driven mainly by higher demand for single-family homes. Industrial projects announced or underway will support the new home markets of smaller centres as well. Examples include the decision by Pratt and Whitney to locate a new plant in Lethbridge, the new pulp mill in Athabasca and the new Dow Chemical project in Fort Saskatchewan.

Average new home prices are expected to rise only modestly, as activity is concentrated in the first-time buyer market. In addition, builders will find it difficult to increase prices early in the recovery, as consumer confidence will remain fragile. Statistics Canada's New Housing Price Index is expected to rise 2.5 per cent in Edmonton, and by less than two per cent in Calgary. Stronger price growth is expected in 1993.

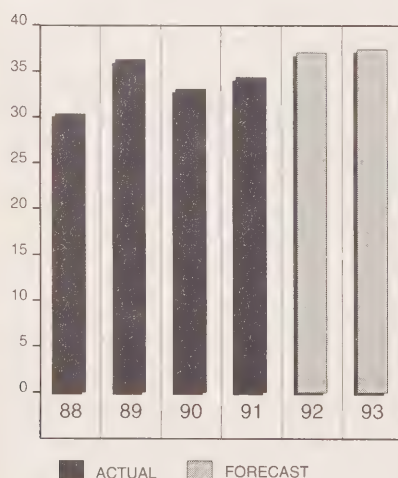
## Affordability to Dominate Resale

In the first half of 1992, the resale market will be driven by affordability. Buyers' market conditions in the latter part of 1991 meant that the prices of existing homes grew only slowly, and failed to keep pace with inflation. At the same time, the decline in interest rates to levels last seen in the 1970s considerably enhanced affordability. As such, the real estate market will be dominated by the first-time buyer in the early part of the year.

The 1992 and 1993 outlook is for resale markets with a better balance between the interests of buyers and sellers. Price growth was suppressed in 1991 by the large number of active listings, brought about in part by the uncertain employment situation. Improved confidence in the economy should help moderate the supply of existing homes for sale. When combined with increased sales, higher price growth will result.

The equity growth resulting from the influx of first-time buyers will strengthen the "move-up" market, which in turn will be the focus of ac-

## Residential MLS\* Sales Units ALBERTA



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## Key Provincial Indicators ALBERTA

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	0.9	2.2	3.0
Employment (% Change)	1.2	1.6	1.9
Unemployment Rate (%)	8.2	8.1	7.7
Housing Starts (Units)			
Total	12492	15500	16250
Singles	9778	12150	12600
Multiples	2714	3350	3650
MLS* Sales (Units)	34360	37000	37400
Average MLS* Price (Dollars)	111482	116000	122000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

tivity later in 1992 and into 1993. MLS residential sales are expected to rise 7.7 per cent in 1992, and a further 1.1 per cent in 1993. The focus on affordable housing will make for limited growth in the average resale price: just over four per cent in 1992, rising to 5.2 per cent in 1993.

### **Renters Have Excellent Opportunity to Buy**

In much of Alberta, vacancy rates in 1991 were too high to allow after-inflation rent growth. In Edmonton a slightly tighter market is expected, however, strong movement towards home ownership will continue to maintain vacancy rates in the 2 to 3

per cent range. In Calgary, the vast improvement in affordability, combined with the province's highest rents, will increase vacancy rates in the first half of the year. In both cities rent increases will remain modest over the next year with rents rising by three per cent or greater in Edmonton, but somewhat less in Calgary. ■

## **PROVINCIAL HOUSING OUTLOOKS**

# **British Columbia**

*by Helmut Pastrick*



## **Highlights**

- Housing starts turn in a very strong performance in the fourth quarter while housing sales bottomed out.
- Economic growth gains momentum in 1992 and in 1993.
- Record housing market activity expected in 1993.

### **Starts End Year on Strong Note**

Housing starts climbed to their highest level this year in the fourth quarter. The starts recovery phase began in the second quarter of 1991 and it has been quite strong, especial-

ly in the fourth quarter. Declining mortgage rates was a demand catalyst as was high in-migration to the province. Unsold inventory levels have come down which has also been a factor behind the surge in starts. Rising builders' optimism about the market contributed to the strong fourth quarter performance.

Existing housing sales likely bottomed out in December after declining steadily from record levels in the second quarter. This could be an encouraging sign that sales will be on the verge of another upswing. Sales activity in the mid to lower priced categories tended to be more robust than in the upper price ranges. The first-time buyer has come back in greater numbers since affordability has been much improved due to lower mortgage rates.

Conditions in the rental market eased due to the exit of some renters to the ownership market. The vacancy rate was up from a year ago and rent increases declined. Rental production picked up moderately, however, due to some government supported activity and lower mortgage rates.

## **1992-93 Outlook**

### **Stronger Economy Ahead**

The B.C. economy is forecast to perform more vigorously over the next two years. Exports are expected to pick up which will be led by the lumber sector and followed by the other forest products. Tourism is also expected to be a more active sector as U.S. economic growth increases.



Non-residential investment will be weak in 1992 but it should grow in 1993 as the economy approaches full operating capacity. The industrial and commercial markets are fairly stagnant presently but this will very likely improve in 1993. Consumer spending will begin to pick up as confidence is rebuilt, after losing some ground in the second half of 1991, and this will first be evident in the interest rate sensitive sectors such as housing. Lower interest rates will be the catalyst propelling the economy in 1992. This momentum will intensify in 1993, raising consumer and business confidence, which will increase spending and create jobs.

Employment growth is expected to mirror economic growth over the next two years. Employment will likely increase more moderately however as firms attempt to improve productivity through a more efficient use of human resources. Employment growth is forecast to be about two per cent in 1992 and rise to about three per cent in 1993. Unemployment rates in 1992 are expected to remain close to last year's. In 1993 that rate will likely be down to about nine per cent.

Population growth is another important factor driving housing demand in B.C. High levels of immigration continued in 1991 and this is forecast to prevail during the next two years as well. Interprovincial migration to B.C. started to subside last year and this is expected to continue this year. However, international migration is expected to increase, which will partially offset this loss. In 1993, migration from other provinces is forecast to rise as the B.C. economy generates more jobs.

## Record Sales and Starts Expected in 1993

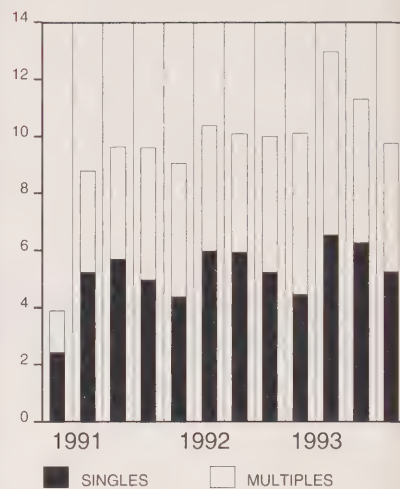
Housing market activity is forecast to reach new highs in 1993. Housing sales (MLS) and housing starts will be pushed higher due to lower mortgage rates, high population growth, rising consumer confidence, and a steadily growing economy. This year will not likely see record levels but in 1993 conditions seem ripe to break the old records. The housing market cycle is in an early recovery phase and has several more quarters to run under current assumptions before reaching a peak.

The housing market will initially be strongest in those segments which cater to the low equity buyer. First-time buyers will be drawn out by low mortgage rates and will be able to purchase housing in the low to mid price ranges. These price segments were the strongest in 1991 as well. As the recovery progresses, there will be a gradual shift to more demand in the higher priced segments. This will be more evident in 1993.

The existing housing market in 1992 is expected to see high sales volume but without excessive price increases. Sales volumes are forecast to be about the same as in 1991 but without the large swing which occurred during the year. The first half is likely to be stronger than the second half, reaching a high around mid-year. Price increases are forecast to be close to the rate of inflation since there will be an adequate supply of listings. During 1993, there is a greater chance of higher price increases as sales begin to accelerate.

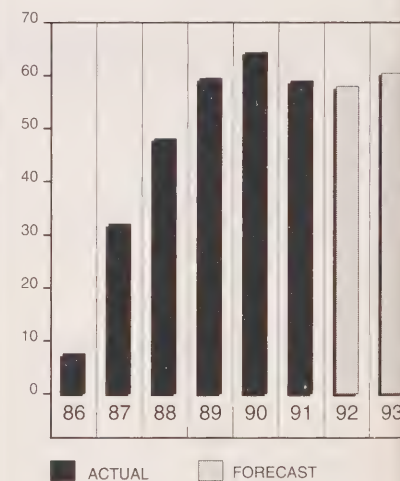
New housing activity is forecast to rise in 1992 to 39,500 units from 31,875 units last year. Starts will

## Housing Starts Units Thousands (Qtrly) BRITISH COLUMBIA



SOURCE: CMHC.  
1992-93 Forecast.

## Total Net Migration Number of Persons BRITISH COLUMBIA



SOURCE: Statistics Canada.  
CMHC: Forecast.

likely subside moderately in the first quarter from the very strong fourth quarter pace. A pick up in the trend is expected in the second half of the year which will carry into 1993. Starts are forecast to break the old



1981 record of 41,585 units with starts of 44,100 units in 1993.

The single-detached and multiples sectors are expected to have more activity but with multiples growing more quickly. In the two metropolitan areas of B.C., the lot supply for houses will tend to put a limit on the production and affordability of units. There will be a growing need for more small lot and townhouse land as well as medium density apartment land than presently exists. Government and industry seem ready to meet this demand, which will increase multiples starts activity. The new provincial government may introduce some programs to enhance affordable ownership.

Condominium starts are forecast to grow to 11,525 units in 1992 and 14,600 units in 1993. The latter would be a record level. This sector can deliver the most affordable ownership housing as well as provide more expensive housing for empty nesters and mature singles and couples. High-rise condominium

buildings will likely be at modest rates during 1992 as some unsold inventory gets sold off. In 1993, however, this market should witness a surge in activity.

Rental production will be rising moderately due to some government activity and to low mortgage rates. The B.C. Rental Supply Plan is still producing some units and the Van-

couver Land Corporation is becoming a more active player. New provincial government initiatives are a possibility as well. The rental vacancy rate is forecast to decline slowly through the period. ■

#### Key Provincial Indicators BRITISH COLUMBIA

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	0.6	3.2	3.8
Employment (% Change)	1.3	2.1	2.9
Unemployment Rate (%)	9.9	9.8	9.1
Housing Starts (Units)			
Total	31875	39500	44100
Singles	18335	21500	22500
Multiples	13540	18000	21600
MLS* Sales (Units)	84554	87800	91500
Average MLS* Price (Dollars)	168235	176000	189000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## Housing Starts

**Total**  
(units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2682	3168	3536	3245	2836	3650	3900
%	-7.0	18.1	11.6	-8.2	-12.6	28.7	6.8
PEI	933	1151	815	762	553	635	650
%	-15.9	23.4	-29.2	-6.5	-27.4	14.8	2.4
NS	6460	5478	5359	5560	5173	5000	5100
%	-14.7	-15.2	-2.2	3.8	-7.0	-3.3	2.0
NB	3716	3621	3681	2683	2872	3100	3500
%	-8.1	-2.6	1.7	-27.1	7.0	7.9	12.9
QUE	74179	58062	49058	48070	44654	38900	47500
%	22.9	-21.7	-15.5	-2.0	-7.1	-12.9	22.1
ONT	105213	99924	93337	62649	52794	70000	75800
%	29.1	-5.0	-6.6	-32.9	-15.7	32.6	8.3
MAN	8174	5455	4084	3297	1950	2380	2900
%	6.2	-33.3	-25.1	-19.3	-40.9	22.1	21.8
SASK	4895	3856	1906	1417	998	1325	1350
%	-11.2	-21.2	-50.6	-25.7	-29.6	32.8	1.9
ALTA	10790	11360	14712	17227	12492	15500	16250
%	27.5	5.3	29.5	17.1	-27.5	24.1	4.8
BC	28944	30487	38894	36720	31875	39500	44100
%	39.9	5.3	27.6	-5.6	-13.2	23.9	11.6
CAN	245986	222562	215382	181630	156197	*180000	*201000
%	23.1	-9.5	-3.2	-15.7	-14.0	15.2	11.7

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Singles (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2530	2839	2932	2468	2135	2550	2800
%	-3.7	12.2	3.3	-15.8	-13.5	19.4	9.8
PEI	699	704	456	483	376	460	500
%	-10.7	0.7	-35.2	5.9	-22.2	22.3	8.7
NS	4120	3867	3361	3639	2604	3000	3400
%	-9.5	-6.1	-13.1	8.3	-28.4	15.2	13.3
NB	2957	2953	2909	2137	2154	2350	2800
%	-8.6	-0.1	-1.5	-26.5	0.8	9.1	19.1
QUE	31430	27724	24493	24942	22531	21200	24800
%	32.7	-11.8	-11.7	1.8	-9.7	-5.9	17.0
ONT	64929	57099	53511	32425	26290	39100	44600
%	15.0	-12.1	-6.3	-39.4	-18.9	48.7	14.1
MAN	4631	3601	2966	2847	1589	1880	2300
%	-3.3	-22.2	-17.6	-4.0	-44.2	18.3	22.3
SASK	2995	2246	1383	1087	775	1025	1050
%	-20.6	-25.0	-38.4	-21.4	-28.7	32.3	2.4
ALTA	9495	9671	12345	13809	9778	12150	12600
%	32.9	1.9	27.6	11.9	-29.2	24.3	3.7
BC	16353	17761	21612	18478	18335	21500	22500
%	26.1	8.6	21.7	-14.5	-0.8	17.3	4.7
CAN	140139	128465	125968	102315	86567	*105200	*117300
%	16.8	-8.3	-1.9	-18.8	-15.4	21.5	11.5

### Multiples (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	152	329	604	777	701	1100	1100
%	-40.6	116.4	83.6	28.6	-9.8	56.9	0.0
PEI	234	447	359	279	177	175	150
%	-28.4	91.0	-19.7	-22.3	-36.6	-1.1	-14.3
NS	2340	1611	1998	1921	2569	2000	1700
%	-22.5	-31.2	24.0	-3.9	33.7	-22.1	-15.0
NB	759	668	772	546	718	750	700
%	-6.4	-12.0	15.6	-29.3	31.5	4.5	-6.7
QUE	42749	30338	24565	23128	22123	17700	22700
%	16.6	-29.0	-19.0	-5.8	-4.3	-20.0	28.2
ONT	40284	42825	39826	30224	26504	30900	31200
%	61.0	6.3	-7.0	-24.1	-12.3	16.6	1.0
MAN	3543	1854	1118	450	361	500	600
%	21.8	-47.7	-39.7	-59.7	-19.8	38.5	20.0
SASK	1900	1610	523	330	223	300	300
%	9.2	-15.3	-67.5	-36.9	-32.4	34.5	0.0
ALTA	1295	1689	2367	3418	2714	3350	3650
%	-1.6	30.4	40.1	44.4	-20.6	23.4	9.0
BC	12591	12726	17282	18242	13540	18000	21600
%	63.1	1.1	35.8	5.6	-25.8	32.9	20.0
CAN	105847	94097	89414	79315	69630	*74800	*83700
%	32.7	-11.1	-5.0	-11.3	-12.2	7.4	11.9

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Detail of Multiple Starts (units)

	Private Rental Row/Apt	Assisted Rental Row/Apt	Total Rental Row/Apt	Condo Row/Apt	Other Semi/ Row/Free	TOTAL
NFLD						
1991	50	177	227	0	474	701
1992	146	300	446	24	630	1100
1993	242	238	480	0	620	1100
PEI						
1991	101	45	146	0	31	177
1992	75	84	159	0	16	175
1993	80	60	140	0	10	150
NS						
1991	2092	156	2248	70	251	2569
1992	1100	200	1300	200	500	2000
1993	850	300	1150	100	450	1700
NB						
1991	431	113	544	28	146	718
1992	500	110	610	90	50	750
1993	410	130	540	100	60	700
QUE						
1991	8036	1100	9136	4863	8124	22123
1992	7300	900	8200	3700	5800	17700
1993	13000	1000	14000	5000	3700	22700
ONT						
1991	4823	13173	17996	4482	4026	26504
1992	2961	15941	18902	7170	4828	30900
1993	3726	11684	15410	9914	5876	31200
MAN						
1991	123	62	185	162	14	361
1992	170	160	330	140	30	500
1993	220	180	400	160	40	600
SASK						
1991	12	42	54	81	88	223
1992	20	75	95	172	33	300
1993	20	75	95	157	48	300
ALTA						
1991	500	200	700	1614	400	2714
1992	500	200	700	1950	700	3350
1993	745	200	945	1850	855	3650
BC						
1991	2850	1249	4099	8267	1174	13540
1992	3800	1300	5100	11525	1375	18000
1993	4000	1500	5500	14600	1500	21600
CAN						
1991	19018	16317	35335	19567	14728	69630
1992	16572	19270	35842	24971	13962	*74800
1993	23293	15367	38660	31881	13159	*83700

SOURCE: CMHC.

1991 Actual, 1992-93 Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1987	1988	1989	1990	1991 <sup>(E)</sup>	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
ST. JOHN'S	5.0	2.3	5.4	3.6	7.2	4.0	5.0
HALIFAX	3.3	3.8	1.9	0.3	-0.3	3.5	4.0
SAINT JOHN	4.8	2.9	3.5	1.4	0.9	1.5	3.0
QUEBEC CITY	8.9	8.7	6.9	3.3	2.9	4.0	6.0
MONTREAL	15.0	9.6	3.3	2.7	0.7	2.0	4.0
OTTAWA	5.7	6.6	5.7	3.9	-0.3	1.0	4.0
TORONTO	26.2	16.6	22.4	-3.8	-15.5	-1.0	-0.3
HAMILTON	16.8	11.6	8.4	2.3	-6.0	2.0	3.0
ST. CATHARINES	12.5	6.6	8.4	6.9	-3.3	1.7	5.0
KITCHENER	14.4	9.0	10.3	2.0	-8.1	1.9	2.3
LONDON	16.1	7.8	9.8	5.7	0.6	3.5	2.7
WINDSOR	6.7	5.2	8.9	4.4	0.1	3.4	2.3
WINNIPEG	5.9	1.1	-0.5	1.9	-0.1	1.0	2.0
REGINA	3.6	1.5	1.6	1.9	2.2	1.5	1.5
SASKATOON	4.2	1.8	0.8	0.7	-0.8	1.0	1.0
CALGARY	3.9	8.8	7.2	12.5	-2.9	1.8	6.7
EDMONTON	4.2	5.1	8.3	15.9	2.3	2.5	3.5
VANCOUVER	4.5	5.2	15.7	5.7	-8.0	4.7	6.5
VICTORIA	-2.3	7.3	9.9	7.0	-2.0	4.5	6.0
CANADA	13.8	10.4	13.2	1.4	-7.1	1.2	2.5

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Includes both house and land components.

## MLS\* Activity

### Total Residential Sales (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	1906	2217	2040	1998	1892	2200	2350
%	3.3	16.3	-8.0	-2.1	-5.3	16.3	6.8
PEI	507	505	626	742	764	840	875
%	8.6	-0.4	24.0	18.5	3.0	9.9	4.2
NS	5903	5734	5863	6072	5811	6300	6500
%	-3.2	-2.9	2.2	3.6	-4.3	8.4	3.2
NB	2948	3518	3490	3316	3259	3400	3500
%	9.7	19.3	-0.8	-5.0	-1.7	4.3	2.9
QUE	29909	30503	30618	28067	27988	30500	32000
%	2.4	2.0	0.4	-8.3	-0.3	9.0	4.9
ONT	134370	160578	142914	102792	126164	128000	140000
%	-6.7	19.5	-11.0	-28.1	22.7	1.5	9.4
MAN	12367	11129	10375	9356	9521	10300	10500
%	3.5	-10.0	-6.8	-9.8	1.8	8.2	1.9
SASK	7875	7301	6850	6405	6505	6810	7060
%	-4.1	-7.3	-6.2	-6.5	1.6	4.7	3.7
ALTA	27632	30368	36249	33085	34360	37000	37400
%	16.6	9.9	19.4	-8.7	3.9	7.7	1.1
BC	56376	67460	83562	58027	84554	87800	91500
%	22.2	19.7	23.9	-30.6	45.7	3.8	4.2
CAN***	279793	319313	322587	249860	300818	**313200	**331700
%	2.0	14.1	1.0	-22.5	20.4	4.1	5.9

### Average Residential Price (dollars and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	73416	76828	83285	88654	90822	94500	99500
%	6.0	4.6	8.4	6.4	2.4	4.0	5.3
PEI	58850	65464	74168	69284	71033	73000	75000
%	8.1	11.2	13.3	-6.6	2.5	2.8	2.7
NS	78885	79591	82328	84650	86462	90000	94000
%	5.3	0.9	3.4	2.8	2.1	4.1	4.4
NB	67632	72101	75848	77752	80897	83800	88000
%	5.7	6.6	5.2	2.5	4.0	3.6	5.0
QUE	86003	95367	100517	100811	102904	108500	116000
%	15.4	10.9	5.4	0.3	2.1	5.4	6.9
ONT	135656	161270	184605	175859	173704	170000	176000
%	25.4	18.9	14.5	-4.7	-1.2	-2.1	3.5
MAN	77031	80427	82401	79961	80445	81000	83000
%	9.8	4.4	2.5	-3.0	0.6	0.7	2.5
SASK	65811	68355	70417	68963	67697	71000	72500
%	3.2	3.9	3.0	-2.1	-1.8	4.9	2.1
ALTA	83905	89554	98542	108675	111482	116000	122000
%	6.8	6.7	10.0	10.3	2.6	4.1	5.2
BC	101916	121040	151504	157616	168235	176000	189000
%	9.8	18.8	25.2	4.0	6.7	4.6	7.4
CAN***	111404	131526	148776	143432	149756	**150900	**159200
%	17.3	18.1	13.1	-3.6	4.4	0.8	5.5

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* Total does not add due to rounding.

\*\*\* Excludes Yukon and Northwest Territories.



## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1991		1992		1993	
		APR	OCT	APR <sup>(F)</sup>	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	47587	4.1	3.7	4.6	3.2	3.7	3.3
CHICOUTIMI- JONQUIÈRE	8006	4.8	5.7	4.6	5.0	4.2	4.4
EDMONTON	68512	3.5	2.3	3.4	2.2	3.0	2.0
HALIFAX	26448	4.1	4.8	5.2	5.0	4.8	4.2
HAMILTON	43449	1.5	1.6	1.8	1.6	1.5	1.5
KITCHENER	26323	4.7	4.3	4.3	3.7	3.0	2.5
LONDON	40322	4.1	3.9	3.5	3.2	3.0	2.8
MONTREAL	461325	5.3	7.2	7.4	8.3	7.5	7.6
OSHAWA	10764	3.7	3.4	3.0	3.3	2.7	2.7
OTTAWA	62272	1.1	0.8	1.3	1.0	1.6	1.2
HULL	17712	5.1	4.9	4.6	4.4	4.2	4.2
QUEBEC CITY	68110	4.3	5.6	5.2	5.0	4.5	4.5
REGINA	12712	5.5	5.6	5.4	4.5	5.0	4.5
ST. CATHARINES							
NIAGARA	17032	2.9	2.9	2.3	2.1	2.0	2.0
SAINT JOHN	8028	4.0	4.9	4.5	4.0	4.1	3.8
ST. JOHN'S	4345	4.8	6.9	8.6	5.8	6.4	4.1
SASKATOON	18239	8.0	6.1	7.5	6.5	6.5	5.0
SHERBROOKE	22980	9.2	9.7	9.5	9.7	9.0	9.0
SUDBURY	9588	1.1	0.7	1.1	2.0	2.5	3.0
THUNDER BAY	5351	1.4	1.0	1.1	1.4	1.8	2.2
TORONTO	296769	1.6	1.8	2.0	1.8	2.2	2.0
TROIS-RIVIÈRES	15303	7.4	8.3	7.8	7.6	7.1	7.1
VANCOUVER	113738	2.3	2.2	2.0	1.8	1.5	1.3
VICTORIA	25534	1.3	0.8	1.2	0.7	1.0	0.5
WINDSOR	14381	3.9	3.3	3.7	2.7	2.5	2.0
WINNIPEG	57881	5.9	6.6	6.2	5.8	5.1	4.6
CANADA**	1502711	3.8	4.4	4.6	4.6	4.4	4.2

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in October 1991.

\*\* Weighted average of Metropolitan areas surveyed.

## Housing Completions

### Total (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2836	3220	3783	3127	3219	2783	3553
%	18.2	13.5	17.5	-17.3	2.9	-13.5	27.7
PEI	943	993	927	683	722	570	690
%	-19.8	5.3	-6.6	-26.3	5.7	-21.1	21.1
NS	6488	5793	4904	5477	4905	5313	5279
%	-14.3	-10.7	-15.3	11.7	-10.4	8.3	-0.6
NB	3944	3798	3383	2959	2858	3159	3571
%	-12.4	-3.7	-10.9	-12.5	-3.4	10.5	13.0
QUE	68949	65224	50855	52630	42720	41537	45018
%	21.0	-5.4	-22.0	3.5	-18.8	-2.8	8.4
ONT	88609	88727	99817	80562	59622	60840	69740
%	27.4	0.1	12.5	-19.3	-26.0	2.0	14.6
MAN	7627	5621	6461	4028	2190	2250	2400
%	3.9	-26.3	14.9	-37.7	-45.6	2.7	6.7
SASK	5640	4352	2743	1575	1241	1160	1250
%	11.2	-22.8	-37.0	-42.6	-21.2	-6.5	7.8
ALTA	9334	11201	12763	17467	12959	15003	15671
%	1.8	20.0	13.9	36.9	-25.8	15.8	4.5
BC	23606	27603	31735	37655	29578	36725	41125
%	13.4	16.9	15.0	18.7	-21.5	24.2	12.0
CAN	217976	216532	217371	206163	160014	*169300	*188300
%	18.1	-0.7	0.4	-5.2	-22.4	5.8	11.2

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Completions

### Singles (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2521	2961	3217	2434	2402	2053	2591
%	13.7	17.5	8.6	-24.3	-1.3	-14.5	26.2
PEI	728	678	539	391	438	400	500
%	-7.6	-6.9	-20.5	-27.5	12.0	-8.7	25.0
NS	4190	3597	3274	3473	2739	3049	3260
%	-6.4	-14.2	-9.0	6.1	-21.1	11.3	6.9
NB	3222	3111	2773	2332	2136	2403	2811
%	-1.0	-3.4	-10.9	-15.9	-8.4	12.5	17.0
QUE	29664	28980	24456	27199	21190	21554	24547
%	32.9	-2.3	-15.6	11.2	-22.1	1.7	13.9
ONT	61400	58072	54732	43130	27499	32750	40260
%	24.6	-5.4	-5.8	-21.2	-36.2	19.1	22.9
MAN	4935	3916	3263	3109	1810	1700	1750
%	17.4	-20.6	-16.7	-4.7	-41.8	-6.1	2.9
SASK	3603	2525	1523	1112	884	875	1010
%	-0.6	-29.9	-39.7	-27.0	-20.5	-1.0	15.4
ALTA	8168	9586	10956	14699	9967	11818	12583
%	1.8	17.4	14.3	34.2	-32.2	18.6	6.5
BC	14816	15785	18736	20111	16072	20975	22450
%	16.4	6.5	18.7	7.3	-20.1	30.5	7.0
CAN	133247	129211	123469	117990	85137	*97600	*111800
%	20.1	-3.0	-4.4	-4.4	-27.8	14.6	14.5

### Multiples (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	315	259	566	693	817	730	962
%	72.1	-17.8	118.5	22.4	17.9	-10.6	31.8
PEI	215	315	388	292	284	170	190
%	-44.6	46.5	23.2	-24.7	-2.7	-40.1	11.8
NS	2298	2196	1630	2004	2166	2264	2019
%	-25.8	-4.4	-25.8	22.9	8.1	4.5	-10.8
NB	722	687	610	627	722	756	760
%	-42.2	-4.8	-11.2	2.8	15.2	4.7	0.5
QUE	39285	36244	26399	25431	21530	19983	20471
%	13.3	-7.7	-27.2	-3.7	-15.3	-7.2	2.4
ONT	27209	30655	45085	37432	32123	28090	29480
%	34.0	12.7	47.1	-17.0	-14.2	-12.6	4.9
MAN	2692	1705	3198	919	380	550	650
%	-14.2	-36.7	87.6	-71.3	-58.7	44.7	18.2
SASK	2037	1827	1220	463	357	285	240
%	40.7	-10.3	-33.2	-62.0	-22.9	-20.2	-15.8
ALTA	1166	1615	1807	2768	2992	3185	3088
%	1.4	38.5	11.9	53.2	8.1	6.5	-3.0
BC	8790	11818	12999	17544	13506	15750	18675
%	8.6	34.4	10.0	35.0	-23.0	16.6	18.6
CAN	84729	87321	93902	88173	74877	*71800	*76500
%	15.0	3.1	7.5	-6.1	-15.1	-4.1	6.5

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Labour Markets

### Employment (annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2.2	5.5	4.0	0.2	-2.0	1.5	2.0
PEI	2.1	3.5	1.4	1.4	-4.2	0.4	1.9
NS	2.6	4.7	1.9	1.6	-1.9	0.8	1.1
NB	3.5	3.2	1.6	2.2	-1.7	1.0	1.0
QUE	3.3	2.8	1.0	0.8	-2.2	1.2	1.8
ONT	3.6	3.7	1.8	-0.2	-3.4	1.8	2.7
MAN	1.2	0.3	0.8	1.5	-2.2	1.4	2.0
SASK	0.4	-0.4	-1.1	0.6	0.0	0.4	0.4
ALTA	0.4	3.5	2.3	1.4	1.2	1.6	1.9
BC	2.8	4.0	5.7	2.4	1.3	2.1	2.9
CAN	2.8	3.2	2.0	0.7	-1.8	1.5	2.2

### Unemployment Rate (per cent)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	17.9	16.4	15.8	17.0	18.4	18.7	18.1
PEI	13.4	13.1	14.0	14.9	16.8	16.0	15.4
NS	12.3	10.2	9.9	10.5	12.0	11.6	11.4
NB	13.1	12.0	12.5	12.1	12.7	12.3	12.1
QUE	10.3	9.4	9.3	10.1	11.9	11.4	11.2
ONT	6.1	5.0	5.1	6.3	9.6	9.6	8.9
MAN	7.4	7.8	7.5	7.2	8.8	8.4	7.6
SASK	7.4	7.5	7.5	7.0	7.4	7.6	7.5
ALTA	9.6	8.0	7.2	7.0	8.2	8.1	7.7
BC	11.9	10.4	9.1	8.3	9.9	9.8	9.1
CAN	8.8	7.8	7.5	8.1	10.3	10.1	9.7

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.

## Demographics

### Total Net Migration (number of persons)

	1987	1988	1989	1990	1991 <sup>(E)</sup>	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	-5470	-1991	-724	-4262	-1000	1500	1000
PEI	564	725	305	-1385	-1720	-420	-450
NS	-1010	-630	610	835	2250	700	900
NB	-2315	-959	2203	-289	-1750	-1100	-550
QUE	13277	12578	22278	25807	24000	24000	26500
ONT	101335	82292	79554	85730	76423	91000	102000
MAN	-2428	-6254	-4775	-3979	-2250	-1000	-800
SASK	-9467	-14704	-15370	-13815	-8210	-8000	-10500
ALTA	-17698	5907	10566	21770	21000	18500	18500
BC	32063	48188	59537	64446	59000	58000	60500
CAN*	108851	125152	154184	174858	167743	183180	197100

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Excludes Yukon and Northwest Territories.

## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	'90:Q2	90:Q3	90:Q4	91:Q1	91:Q2	91:Q3	91:Q4
<b>New housing</b>							
Building permits, units, thousands	182	148	135	116	164	182	..
%	-22.4	-18.5	-9.2	-14.2	41.8	11.1	..
Housing starts, total, thousands	204	164	147	96	152	181	179
%	-6.4	-19.6	-10.4	-34.7	58.3	19.1	-1.1
Housing starts, singles, thousands	113	93	83	52	86	101	95
%	-10.3	-17.7	-10.8	-37.3	65.4	17.4	-5.9
Housing starts, multiples, thousands	91	71	64	44	66	80	84
%	-1.1	-22.0	-9.9	-31.3	50.0	21.2	5.0
Housing completions, total, thousands	212	201	190	183	147	156	158
%	-9.4	-5.2	-5.5	-3.7	-19.7	6.1	1.3
New house price index, 1986=100	146.1	143.4	139.8	134.4	133.4	134.8	..
%	-1.1	-1.9	-2.5	-3.9	-0.7	1.0	..
<b>Existing housing</b>							
MLS* resales, units, thousands	231.4	243.0	240.6	281.6	369.2	288.6	263.8
%	-18.6	5.0	-1.0	17.0	31.1	-21.8	-8.6
MLS* average resale price, \$C thousands	141.9	144.4	140.9	146.1	156.2	148.4	146.2
%	-2.1	1.8	-2.5	3.7	6.9	-5.0	-1.5
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	225.5	228.8	232.4	237.8	242.4	248.4	..
%	2.6	1.5	1.6	2.3	1.9	2.5	..
Mortgage approvals, \$C billions	81.6	69.4	78.2	49.9	66.5	69.7	..
%	-19.8	-14.9	12.7	-36.2	33.2	4.8	..
1-year mortgage rate, per cent**	14.25	13.75	12.83	11.25	10.25	9.92	8.92
5-year mortgage rate, per cent**	14.25	13.67	12.83	11.67	11.25	11.42	10.18
<b>Residential investment***</b>							
Total, \$1986 billions	36.5	34.4	32.1	29.7	31.9	33.2	..
%	-5.3	-5.7	-6.9	-7.3	7.3	4.0	..
New, \$1986 billions	19.4	17.2	15.1	13.1	13.2	15.2	..
%	-1.4	-11.6	-12.2	-13.0	0.4	15.7	..
Alterations, \$1986 billions	12.4	12.0	11.9	10.9	11.4	11.9	..
%	-1.8	-2.6	-1.1	-8.0	4.2	4.5	..
Transfer costs, \$1986 billions	4.8	5.3	5.1	5.7	7.3	6.1	..
%	-24.6	10.2	-2.6	10.9	29.5	-17.5	..
Deflator, 1986=100	127.5	127.1	125.8	133.8	136.7	133.7	..
%	-2.3	-0.3	-1.0	6.4	2.2	-2.2	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.











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**Process & Management**

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1992**

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**NATIONAL HOUSING OUTLOOK**  
**SECOND QUARTER, 1992**

**MARKET ANALYSIS CENTRE**  
**CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared April, 1992



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# NATIONAL HOUSING OUTLOOK

## Starts subside at the beginning of 1992

During the first quarter of 1992, construction started on 153,000 housing units, at a seasonally adjusted annual rate (SAAR). This is 15.5 per cent lower than the level of 181,000 units SAAR in the closing three months of 1991. Housing activity, however, is still much higher than in the first quarter of 1991 when starts bottomed out at 101,000 units SAAR.

The first quarter drop was mainly due to the end of a construction support program sponsored by the provincial government in Quebec. Activity was also down in Atlantic Canada. Starts activity was steady or edged up slightly in other regions of the country. The level of starts steadied in Ontario as strong social housing activity offset continued weakness in market housing. Healthy recovery trends were consolidated in the provinces of British Columbia and Alberta. Activity advanced from a low base in Manitoba while it stayed the same in Saskatchewan.

Within the quarter, housing activity reached a low point in January, improving in February and March. Activity continued to be sustained by favorable interest rates which dropped to their lowest level in almost twenty years. During most of the quarter, one-year mortgage interest rates were at 8.25 per cent and five-year

rates were at 9.75 per cent. At the end of the quarter, however, pressure on the dollar caused a modest rise in interest rates, including mortgage rates.

## *Economic conditions expected to improve . . .*

Apart from housing, which posted strong levels in the second half of 1991, other measures of economic activity were lacklustre: domestic and foreign demand remained stagnant, jobs continued to be lost, consumer confidence sagged. The Canadian economy has continued to post disappointing results during the opening months of 1992 and this has contributed to the easing of housing activity in the quarter.

## **New life to the recovery soon**

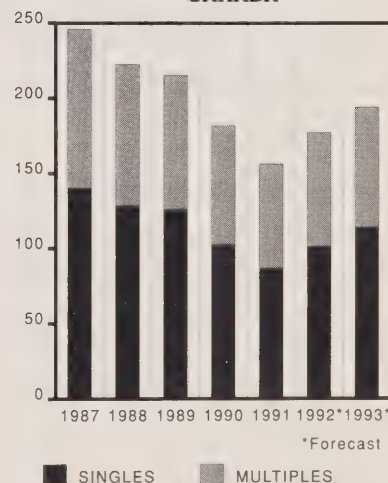
Economic conditions are expected to improve in coming months. There are currently signs that the overall balance of forces shaping the economic environment will become positive again. These positive factors include better growth prospects abroad, a lower Canadian dollar and continuing

low interest rates. They are expected to help restart the recovery and gradually bring back consumer confidence and spending.

Over the last few months, leading indicators in the U.S. have turned upward as a result of low interest rates and more stimulative fiscal policy. The U.S. economy is expected to recover soon, which should be beneficial to Canada's export industries especially during the second half of the year.

The Canadian dollar also moved to a lower level in recent months. The drop, from 88.7 U.S. cents last October to around 84 cents at the end of the first quarter, is expected to improve the competitive position of export and import competing industries thus boosting profits and sales of those industries. Because of excess capacity in Canadian industry, the recent

**Housing Starts**  
Units Thousands (Annually)  
**CANADA**



SOURCE: CMHC.

easing in the value of the currency is not expected to affect our positive inflation performance.

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## ***Housing starts forecast to increase in 1992 to 177,000 units.***

---

Interest rates remain low, having edged down again after a temporary rise in the first quarter. This should support the economic recovery and housing activity. Furthermore, as the pace of recovery is expected to be fairly slow with continuing moderate price increases, interest rates are expected to rise only gradually. One-year mortgage rates are expected to remain close to their current 9.0 per cent until the closing quarter of the year, to be followed by a rise to about 9.5 per cent next year.

Our forecast for real Gross Domestic Product growth is now 1.8 per cent this year and 4.4 per cent in 1993. Because of the delay in the recovery process in recent months this is lower than our previous forecast for 1992 and somewhat higher for 1993.

## **Housing programs to boost market activity**

Housing markets are expected to benefit from the revival of the recovery, continued low interest rates and the two recently launched national housing programs.

In early February, Canada Mortgage and Housing Corporation announced the First Home Loan Insurance program under which first-time buyers can purchase a house with a five per cent down payment, a reduction from the previous ten per cent requirement. The program has elicited a strong response in the first two months it has been in place. This is a sign that homeownership, while more affordable because of low interest rates and moderate prices, had been out of reach for a substantial segment of the renter population because they lacked the required down payment.

In his February budget, the Minister of Finance also announced the introduction of the Home Buyers' Plan allowing for the use of RRSP money as a down payment in the acquisition or construction of a principal residence. The program allows RRSP holders until March 1, 1993 to draw money out of their RRSP for the purchase.

The 95 per cent mortgage financing program has contributed to a solid performance in the resale market in the first quarter of the year. Unit sales through the MLS\* system were up 16.8 per cent from the fourth quarter of 1991, after adjustment for normal seasonal variations.

Those programs and a modest turnaround in economic activity should be positive for new housing markets in coming quarters.

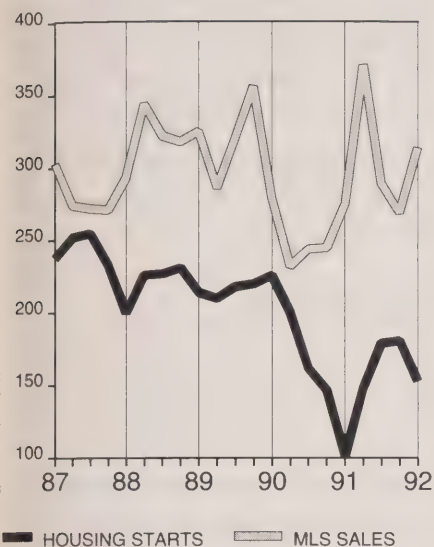
\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

## **First Home Loan Insurance Summary Features**

- **Minimum downpayment lowered from 10% to 5% for first-time buyers**
- **Maximum ratio of housing-related payments to family income raised from 32 to 35%, but total debt service to income remains at 42%**
- **House price ceilings range from \$125,000 to \$250,000 depending on city**
- **Buyer must take a mortgage term of five years**
- **Program initially in place for two years**



**Housing Starts and  
Residential MLS Sales**  
Seasonally adjusted at annual  
rates  
Units Thousands (Qtrly)  
Canada



SOURCES: CMHC; The Canadian Real Estate Association.

Total housing starts are expected to reach 177,000 units this year, up 13 per cent from the 156,200 level of last year. Construction of single-detached dwellings is expected to rise by 17 per cent to 101,000 units, while that of multiple units is expected to be up 9 per cent to 76,000 units. Within

the multiples segment, rental construction will be weak because of high vacancy rates.

Further advances are expected in 1993 to 194,000 starts as the economy continues to recover, with only a gradual rise in mortgage rates and house prices that are expected to remain attractive to buyers. Construction of single-detached dwellings is expected to perform well with starts reaching 114,000, while starts of multiple units will rise slightly to 80,000 units.

The level of activity expected in this update is marginally lower than in our preceding forecast. This is mainly due to the lacklustre performance of the economy with its impact on consumer confidence and home buying intentions. It especially reflects the structural problems facing many industrial sectors concentrated in southern Ontario.

The resale market is expected to benefit from the overall recovery

and the eligibility of existing housing for the two new national programs. Residential sales through the MLS system are expected to rise by 5.8 per cent this year and 6.6 per cent next year. These increases are slightly larger than in our previous forecast.

***Resale market  
activity to benefit  
from recovery and  
new federal  
housing programs.***

Average residential prices are expected to be somewhat higher this year in all provinces except Ontario and Newfoundland. The average price increase will be kept low because of the higher activity by first time buyers in the entry segment of the market.■



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

Downsizing in the fishing industry and a slowdown in the Hibernia project have substantially altered the economic and housing forecast for 1992. Further job losses, out-migration and reduced consumer confidence will temper demand for new homes this year. Although the market is expected to strengthen in the second half, weaknesses in the early part of 1992 will lead to a 6.6 per cent decline in new home construction to 2,650 units. Demand from first-time buyers supported a healthy increase in the sale of existing dwellings during the first quarter of 1992. Improved affordability stemming from low interest rates and recent government initiatives will stimulate the sale of entry level homes with total MLS sales forecast to advance 5.7 per cent to 2,000 units this year. Lower priced homes will capture a larger share of sales with average MLS prices forecast to record marginal declines in 1992.

With Hibernia expected to get back on stream in 1993, project spending will be the major catalyst to economic growth. Move-up buyers will return to the market in greater numbers with MLS sales forecast to increase 10 per cent to 2,200 units next year. A corresponding reduction in the supply of existing homes will provide additional strength to the new homes market with housing starts forecast

to increase 13.2 per cent to 3,000 units in 1993.

## *P.E.I. and Nova Scotia experiencing improved housing demand.*

### Prince Edward Island

Improvements in affordability from reduced mortgage rates and 95 per cent financing will result in increased housing activity in 1992. The forecast for 1992 total housing starts remains at 635 units, 15 per cent above last year's level. Construction of single-family homes will increase to 460 units compared to 376 units in 1991. Apartment starts are forecast to decline slightly this year, followed by a further drop in 1993. The main reason for this is an over-supply of rental units in the Charlottetown area, the major market for apartment structures.

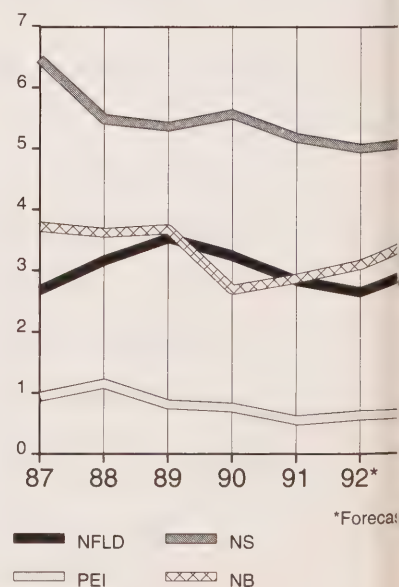
The lack of new employment opportunities, due to public sector restraint and a weak private sector will also limit activity on the resale market. First quarter activity was lacklustre and total sales are

expected to be up only 10 per cent this year. That will mainly be a result of 95 per cent mortgage financing. Although there is optimism surrounding an announcement on a fixed link, it is unlikely at this point that activity would benefit the housing market this year.

### Nova Scotia

Nova Scotia's housing industry is showing signs of improvement. Existing home sales are leading the recovery as improved affordability attracts more first-time buyers to the market. Pent-up demand is being released from renter households who postponed buying a home in 1991 because of poor economic conditions. At this point, however, single-detached house construction remains sluggish, particularly in some rural

**Housing Starts  
Units Thousands (Annually)  
Atlantic Region**



SOURCE: CMHC.

areas and small communities dependent upon manufacturing. The apartment construction boom that continued through 1991 is now beginning to fizzle.

Housing demand will continue to improve throughout 1992 as the province pulls itself from the economic doldrums. Existing home sales will increase 8.4 per cent to 6,300 transactions as first-time buyers come out in force. Average sale prices will increase 4.1 per cent this year because of the larger proportion of entry-level home sales. The current level of residential sales activity indicates that more existing homeowners will build new homes in the coming months. Single-detached house starts will increase 15.2 per cent to 3,000 units this year. Rental demand will soften this year as more renter households decide to buy a home. Multiple unit starts will slide 22.1 per cent to 2,000 units as developers curtail new apartment projects in response to oversupplied markets.

### New Brunswick

The New Brunswick economy is expected to post growth of about only two per cent this year because of a slow recovery in the province's key export markets. The forestry sector, that was hard hit by changing world markets, is now not expected to display significant growth until 1993. Overall employment gains in the province this year will remain modest.

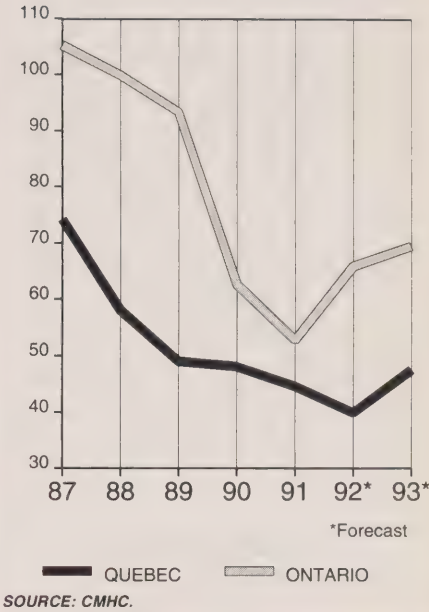
There are clear signs of growth in the resale market. Opening quarter sales in the three major urban centers exceeded last year's levels. The recovery occurred first in the Saint John market where sales to the end of March were up 58 per cent. As first-time buyers continue to enter the market, availability of entry level homes will decline. This will contribute to upward pressure on prices of modest homes.

Improvements in residential construction are yet to be recorded. Housing starts during the opening quarter of the year were down 31 per cent from a year ago. The homeownership market will, however, benefit from growing demand and decreasing availability in the resale market. Although the number of apartment units started to date is down, there are several projects about to get underway.

### Quebec

The resale market experienced a healthy recovery in the first quarter of 1992 with 8,900 sales of existing homes through the MLS system, a 25 per cent increase over the same period last year. The market was boosted by several favorable conditions: low interest rates, the provincial Downpayment Assistance Program ending on March 31 and the introduction of two new housing programs initiated by the federal government. Furthermore, in view of a large inventory of houses for sale, MLS

**Housing Starts  
Units Thousands (Annually)  
Quebec and Ontario**



sales represent a greater share of the resale market. With this impetus, 35,000 MLS sales are now forecast for 1992 and 38,500 for 1993. The average MLS price increased by one half percent in the first quarter, reflecting the high number of houses for sale. However, the trend toward rising prices is expected to resume, pushing the average resale price by 4 per cent in 1992 and 7 per cent in 1993.

The number of starts will decline to 39,900 units in 1992 and increase to 47,500 in 1993. The drop this year will be due to the decline of starts in the rental sector. The ownership market for first-time buyers will remain steady. In the first quarter of 1992, the number of condominiums more than doubled compared with the same quarter in 1991. The construction of single family products, especially semi-detached



and row housing, has increased by 23 per cent. Given a slightly improving Quebec economy and a high stock of new units, the growth in this market will soften when the demand from first-time buyers is substantially met in the next quarter. On an annual basis, the construction of single family products will decrease by 8 per cent to 28,100 in 1992 and will climb to 28,500 in 1993. Similarly, condominium construction will decline to 4,300 units in 1992 and rise to 5,000 units in 1993.

---

### ***Rental construction in Quebec to reach lowest level in 30 years.***

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The construction of rental housing (7,500 units for 1992) will reach its lowest level in thirty years. The decline in rental construction reflects the reduced profitability of rental investment, higher vacancy rates (8.2 per cent for 1992), a modest increase in rents (2 per cent for 1992), and the abolition of tax exemptions on real estate capital gains. This decrease will reduce the new rental housing stock and gradually move the market toward a balanced situation.

## **Ontario**

Ontario's economy weakened further in the first quarter. Another 33,000 Ontario jobs were lost, mostly in the manufacturing sector. Over half of the losses were in the 25 to 44 year age bracket which contains about three quarters of the home buying population. In the longer term, Canada's targeted 250,000 immigrants will improve housing demand as slightly more than half come to Ontario. Continued high unemployment for the next few years will dampen that impact. Employment, led by manufacturing, will grow in the latter part of 1992 as the U.S. economy strengthens and exports increase.

Lower interest rates in response to a weak economy, combined with lower minimum down-payments and access to RRSP funds for home purchases, are resulting in a rise in residential resale volumes. By the first quarter of 1992, the trend in monthly resales rose in all of Ontario's ten census metropolitan areas. Ontario MLS sales will increase 1.5 per cent to 128,000 this year. Large numbers of resale home listings have led to price declines in Hamilton, Kitchener, Oshawa and Toronto. Ontario's average annual resale price, at \$163,000, is expected to be 6.0 per cent lower. The return of move-up purchasers to the market in late 1992, will increase next year's average resale price by 3.1 per cent and sales by 9.4 per cent.

Ontario housing starts fell from 70,000 SAAR in the third quarter of 1991 to 56,000 SAAR in the last quarter of 1991 and the first quarter this year.

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### ***Starts to rise by end of second quarter in Ontario***

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The recent pick up in the resale market will prompt starts to rise by the end of the second quarter of 1992 and finish the year with an annual increase of 24.8 per cent. Single-detached starts are expected to jump by almost a third. Multiple unit starts will grow 16.6 per cent. Government sponsored rental housing is the major stimulus of this year's multiple home starts. The condominium market will remain weak due to the large number of unsold investor owned units. As economic recovery takes hold, starts will increase a further 5.4 per cent next year. Singles will jump 18.6 per cent, but multiples will drop 9.4 per cent as current provincial government programs end.

## **Manitoba**

Despite a relatively weak labour market and the lingering effects of the recession, housing markets in Manitoba have rebounded in early 1992. In response to lower

mortgage rates, stable house prices and 95 per cent mortgages, MLS residential activity strengthened in the first quarter, with sales up by 24 per cent from the first three months of 1991. Total housing starts advanced by 31 per cent in the first quarter on the strength of more multiple unit activity than last year in Winnipeg. Multiple starts remain low, however, due to high apartment vacancy rates and weak prices for existing condominiums. After a slow start in January and February, single-family activity gained momentum in March. This brought the total for the first three months to the same level as last year.

For the first time since 1987, Manitoba will experience an increase in new housing activity this year, with total housing starts reaching 2,500 units. Growth in new single-family construction will gain momentum in the summer months, as the province's economy improves. Single-family starts should reach 2,000 units this year, for an increase of 26 per cent. In 1993, continued improvement in the economy will boost single-family starts to the 2,400 unit level. Multiple starts are forecast to reach 500 units this year and 600 in 1993. The strong momentum achieved in the resale market during the first quarter will lead to a 15 per cent gain in MLS residential sales by year-end. Average prices will experience only modest gains this year, due to the higher proportion of first-time buyers purchasing modestly-

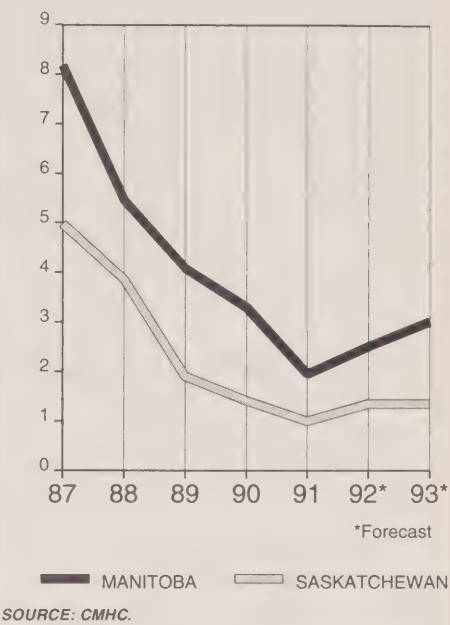
priced homes. In 1993, sales of existing houses will increase by 4.5 per cent, with average prices close to \$83,000.

**Saskatchewan**

Saskatchewan's economy has improved in the first quarter. Employment has grown primarily because of increased residential construction in the major urban centers. In addition to this, Regina will see the relocation of two major employers to that city, Crown Life Insurance and Farm Credit Corporation. Although international grain prices are starting to show signs of recovering in 1992, farm incomes will remain below the 10 year average and will continue to impact rural Saskatchewan. The oil and gas industry in Saskatchewan will also suffer this year as a result of less drilling activity due to low prices.

Lower mortgage rates, the 95 per cent financing option for first-time homebuyers, and the federal government's provision to allow RRSPs for the purchase of a home have encouraged move-up homebuyers and improved access for first-time buyers. The resale market has already rebounded with higher sales in the first quarter compared to the same period in 1991. Lower priced homes will become more popular in the first half of the year as the demand by first-time homebuyers increases. The shift to less expensive homes will cause the average sales price to decline slightly in the first half of

**Housing Starts  
Units Thousands (Annually)  
Manitoba and Saskatchewan**



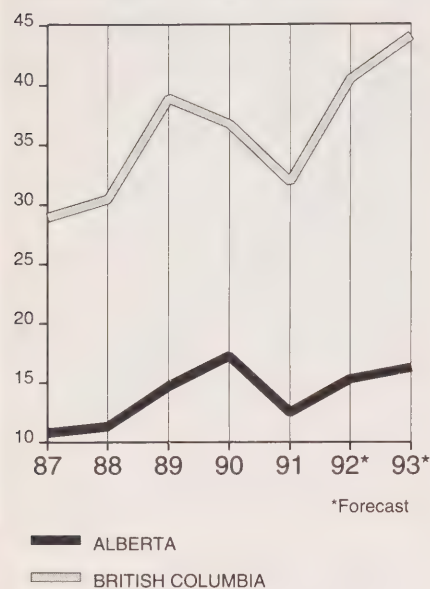
the year. In the second half of the year increased demand from move-up buyers will cause the average sales price to rise. Housing starts have risen sharply in the first quarter of 1992 in response to lower interest rates. Starts in Regina will be particularly strong this year due to the optimism created by the relocation of the two large employers to that city. Saskatoon housing starts will benefit from demand from seniors and empty-nesters for luxury condominiums.

**Alberta**

Activity in Alberta housing markets rose substantially during the first quarter of 1992. Both starts and resale volumes increased, with the most dramatic gains in the new single- and



**Housing Starts  
Units Thousands (Annually)  
Alberta and British Columbia**



SOURCE: CMHC.

multi-family ownership market. Provincial housing starts were 84 per cent higher than the first quarter of 1991. Low interest rates and the reduction of the minimum downpayment to five per cent are the major factors behind the resurgence in activity. First-time buyers accounted for 50 per cent of resale volumes during the first three months of the year. Late in the quarter people who had sold their starter homes began to buy more expensive houses. Stronger demand for low- and medium-priced homes has not yet extended into higher priced houses, where activity is slower in both the new and resale markets. The trend toward home ownership has weakened the rental market, increasing vacancy rates, suppressing rental increases, and discouraging new rental construction.

A sustained recovery, with a more appropriate balance between first-time buyers and the high-end move-up market, will require a more robust increase in consumer confidence than has been seen to date. In the energy sector, which remains a major player in the provincial economy, slightly higher natural gas production is anticipated this year, which should increase revenues. A weaker Canadian dollar and new pipeline capacity have begun to contribute to higher export earnings. These developments improve the provincial outlook, and will help underpin the budding revival of confidence in the housing markets.

### British Columbia

Housing sales surged to a record level in March for the Vancouver area. This rebound was fueled by the recently announced government initiatives allowing 95 per cent per cent financing for first-time buyers and the tax-free withdrawal of RRSP funds for home purchase. The B.C. sales trend was rising shortly before those initiatives were brought in as a result of favorable mortgage rates and affordability conditions. All of these factors combined to catapult sales to record heights. Housing construction, however, was flat during the quarter compared to the previous one. Housing demand has been strongest in the lower to mid-price range with the condominium market receiving much of this focus. Supply con-

straints on new construction such as a higher equity requirement on project financing and limited land supply have become more evident. Nonetheless, the recent strong performance in the resale market bodes well for future starts activity.

B.C. continues to attract large numbers of people. Net migration this year is forecast to be much higher than the long-term average. Interprovincial migration is expected to slowdown but this should be mostly offset by more international migrants. The provincial economy is anticipated to grow more strongly this year than last year. Unemployment, however, will likely stay high at just under 10 per cent. The new provincial budget was neutral on housing. Migration, attractive mortgage rates, and the federal government initiatives will provide most of the stimulus for housing demand with a modest contribution from general income and employment growth.

The resale housing market will likely set a new sales volume record in the second quarter. House prices will be under more upward pressure than in the previous quarter. Housing starts are expected to accelerate this quarter and into the third quarter. The previous forecasts for multiple starts and the average MLS price have been revised upward in this update. ■

## Housing Starts

**Total**  
(units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2682	3168	3536	3245	2836	2650	3000
%	-7.0	18.1	11.6	-8.2	-12.6	-6.6	13.2
PEI	933	1151	815	762	553	635	650
%	-15.9	23.4	-29.2	-6.5	-27.4	14.8	2.4
NS	6460	5478	5359	5560	5173	5000	5100
%	-14.7	-15.2	-2.2	3.8	-7.0	-3.3	2.0
NB	3716	3621	3681	2683	2872	3100	3500
%	-8.1	-2.6	1.7	-27.1	7.0	7.9	12.9
QUE	74179	58062	49058	48070	44654	39900	47500
%	22.9	-21.7	-15.5	-2.0	-7.1	-10.6	19.0
ONT	105213	99924	93337	62649	52794	65900	69500
%	29.1	-5.0	-6.6	-32.9	-15.7	24.8	5.5
MAN	8174	5455	4084	3297	1950	2500	3000
%	6.2	-33.3	-25.1	-19.3	-40.9	28.2	20.0
SASK	4895	3856	1906	1417	998	1350	1350
%	-11.2	-21.2	-50.6	-25.7	-29.6	35.3	0.0
ALTA	10790	11360	14712	17227	12492	15300	16250
%	27.5	5.3	29.5	17.1	-27.5	22.5	6.2
BC	28944	30487	38894	36720	31875	40500	44100
%	39.9	5.3	27.6	-5.6	-13.2	27.1	8.9
CAN	245986	222562	215382	181630	156197	*177000	*194000
%	23.1	-9.5	-3.2	-15.7	-14.0	13.3	9.6

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Singles (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2530	2839	2932	2468	2135	1900	2150
%	-3.7	12.2	3.3	-15.8	-13.5	-11.0	13.2
PEI	699	704	456	483	376	460	500
%	-10.7	0.7	-35.2	5.9	-22.2	22.3	8.7
NS	4120	3867	3361	3639	2604	3000	3400
%	-9.5	-6.1	-13.1	8.3	-28.4	15.2	13.3
NB	2957	2953	2909	2137	2154	2350	2800
%	-8.6	-0.1	-1.5	-26.5	0.8	9.1	19.1
QUE	31430	27724	24493	24942	22531	21400	24800
%	32.7	-11.8	-11.7	1.8	-9.7	-5.0	15.9
ONT	64929	57099	53511	32425	26290	35000	41500
%	15.0	-12.1	-6.3	-39.4	-18.9	33.1	18.6
MAN	4631	3601	2966	2847	1589	2000	2400
%	-3.3	-22.2	-17.6	-4.0	-44.2	25.9	20.0
SASK	2995	2246	1383	1087	775	1050	1050
%	-20.6	-25.0	-38.4	-21.4	-28.7	35.5	0.0
ALTA	9495	9671	12345	13809	9778	12150	12600
%	32.9	1.9	27.6	11.9	-29.2	24.3	3.7
BC	16353	17761	21612	18478	18335	21500	22500
%	26.1	8.6	21.7	-14.5	-0.8	17.3	4.7
CAN	140139	128465	125968	102315	86567	*101000	*114000
%	16.8	-8.3	-1.9	-18.8	-15.4	16.7	12.9

### Multiples (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	152	329	604	777	701	750	850
%	-40.6	116.4	83.6	28.6	-9.8	7.0	13.3
PEI	234	447	359	279	177	175	150
%	-28.4	91.0	-19.7	-22.3	-36.6	-1.1	-14.3
NS	2340	1611	1998	1921	2569	2000	1700
%	-22.5	-31.2	24.0	-3.9	33.7	-22.1	-15.0
NB	759	668	772	546	718	750	700
%	-6.4	-12.0	15.6	-29.3	31.5	4.5	-6.7
QUE	42749	30338	24565	23128	22123	18500	22700
%	16.6	-29.0	-19.0	-5.8	-4.3	-16.4	22.7
ONT	40284	42825	39826	30224	26504	30900	28000
%	61.0	6.3	-7.0	-24.1	-12.3	16.6	-9.4
MAN	3543	1854	1118	450	361	500	600
%	21.8	-47.7	-39.7	-59.7	-19.8	38.5	20.0
SASK	1900	1610	523	330	223	300	300
%	9.2	-15.3	-67.5	-36.9	-32.4	34.5	0.0
ALTA	1295	1689	2367	3418	2714	3150	3650
%	-1.6	30.4	40.1	44.4	-20.6	16.1	15.9
BC	12591	12726	17282	18242	13540	19000	21600
%	63.1	1.1	35.8	5.6	-25.8	40.3	13.7
CAN	105847	94097	89414	79315	69630	*76000	*80000
%	32.7	-11.1	-5.0	-11.3	-12.2	9.1	5.3

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## MLS\* Activity

### Total Residential Sales (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	1906	2217	2040	1998	1892	2000	2200
%	3.3	16.3	-8.0	-2.1	-5.3	5.7	10.0
PEI	507	505	626	742	764	840	875
%	8.6	-0.4	24.0	18.5	3.0	9.9	4.2
NS	5903	5734	5863	6072	5811	6300	6500
%	-3.2	-2.9	2.2	3.6	-4.3	8.4	3.2
NB	2948	3518	3490	3316	3259	3400	3500
%	9.7	19.3	-0.8	-5.0	-1.7	4.3	2.9
QUE	29909	30503	30618	28067	27988	35000	38500
%	2.4	2.0	0.4	-8.3	-0.3	25.1	10.0
ONT	134370	160578	142914	102792	126164	128000	140000
%	-6.7	19.5	-11.0	-28.1	22.7	1.5	9.4
MAN	12367	11129	10375	9356	9521	11000	11500
%	3.5	-10.0	-6.8	-9.8	1.8	15.5	4.5
SASK	7875	7301	6850	6405	6505	6800	7100
%	-4.1	-7.3	-6.2	-6.5	1.6	4.5	4.4
ALTA	27632	30368	36249	33085	34360	37000	37400
%	16.6	9.9	19.4	-8.7	3.9	7.7	1.1
BC	56376	67460	83562	58027	84554	87800	91500
%	22.2	19.7	23.9	-30.6	45.7	3.8	4.2
CAN***	279793	319313	322587	249860	300818	**318000	**339000
%	2.0	14.1	1.0	-22.5	20.4	5.7	6.6

### Average Residential Price (dollars and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	73416	76828	83285	88654	90822	90500	94000
%	6.0	4.6	8.4	6.4	2.4	-0.4	3.9
PEI	58850	65464	74168	69284	71033	73000	75000
%	8.1	11.2	13.3	-6.6	2.5	2.8	2.7
NS	78885	79591	82328	84650	86462	90000	94000
%	5.3	0.9	3.4	2.8	2.1	4.1	4.4
NB	67632	72101	75848	77752	80897	83800	88000
%	5.7	6.6	5.2	2.5	4.0	3.6	5.0
QUE	86003	95367	100517	100811	102904	107100	116000
%	15.4	10.9	5.4	0.3	2.1	4.1	8.3
ONT	135656	161270	184605	175859	173704	163000	168000
%	25.4	18.9	14.5	-4.7	-1.2	-6.2	3.1
MAN	77031	80427	82401	79961	80445	81500	83000
%	9.8	4.4	2.5	-3.0	0.6	1.3	1.8
SASK	65811	68355	70417	68963	67697	71500	72500
%	3.2	3.9	3.0	-2.1	-1.8	5.6	1.4
ALTA	83905	89554	98542	108675	111482	115000	120000
%	6.8	6.7	10.0	10.3	2.6	3.2	4.3
BC	101916	121040	151504	157616	168235	184000	202000
%	9.8	18.8	25.2	4.0	6.7	9.4	9.8
CAN***	111404	131526	148776	143432	149756	**149000	**158000
%	17.3	18.1	13.1	-3.6	4.4	-0.5	6.0

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* Total does not add due to rounding.

\*\*\* Excludes Yukon and Northwest Territories.

## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	90:Q3	90:Q4	91:Q1	91:Q2	91:Q3	91:Q4	92:Q1
<b>New housing</b>							
Building permits, units, thousands	145.0	136.2	122.1	170.2	186.6	187.2	..
%	-17.8	-6.1	-10.3	-39.4	9.6	0.3	..
Housing starts, total, thousands	162	147	101	148	179	181	153
%	-19.0	-9.3	-31.3	46.5	20.9	1.1	-15.5
Housing starts, singles, thousands	92	83	54	84	100	96	77
%	-17.1	-9.8	-34.9	55.6	19.0	-4.0	-19.8
Housing starts, multiples, thousands	70	64	47	64	79	85	76
%	-21.3	-8.6	-26.6	36.2	23.4	7.6	-10.6
Housing completions, total, thousands	202	191	176	149	157	159	173
%	-6.0	-5.4	-7.9	-15.3	5.4	1.3	8.8
New house price index, 1986=100	143.3	139.6	134.5	133.5	134.7	134.6	..
%	-2.0	-2.6	-3.7	-0.7	0.9	-0.1	..
<b>Existing housing</b>							
MLS* resales, units, thousands	243.9	244.6	274.7	370.7	289.4	268.6	313.6
%	5.1	0.3	12.3	34.9	-21.9	-7.2	16.8
MLS* average resale price, \$C thousands	144.8	141.0	145.7	156.3	148.6	146.2	145.1
%	2.0	-2.6	3.3	7.3	-4.9	-1.6	-0.8
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	230.1	233.7	238.4	243.4	249.8	253.1	..
%	1.5	1.5	2.0	2.1	2.6	1.3	..
Mortgage approvals, \$C billions	46.3	53.0	56.9	74.6	77.0	68.9	..
%	-12.3	14.5	7.4	31.1	3.2	-10.5	..
1-year mortgage rate, per cent**	13.75	12.83	11.25	10.25	9.92	8.92	8.67
5-year mortgage rate, per cent**	13.67	12.83	11.67	11.25	11.42	10.18	10.00
<b>Residential investment***</b>							
Total, \$1986 billions	34.4	32.1	29.6	32.3	33.6	34.1	..
%	-5.7	-6.9	-7.8	9.3	4.1	1.5	..
New, \$1986 billions	17.2	15.1	13.2	13.7	15.9	17.0	..
%	-11.6	-12.2	-12.6	4.1	15.7	7.5	..
Alterations, \$1986 billions	12.0	11.9	10.8	11.2	11.6	11.4	..
%	-2.6	-1.1	-9.0	3.8	3.3	-1.5	..
Transfer costs, \$1986 billions	5.3	5.1	5.6	7.4	6.1	5.6	..
%	10.2	-2.6	8.8	32.2	-16.5	-8.4	..
Deflator, 1986=100	127.1	125.8	133.1	136.2	133.6	132.9	..
%	-0.3	-1.0	5.8	2.3	-1.9	-0.5	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.









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1992

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**NATIONAL HOUSING OUTLOOK**  
**THIRD QUARTER, 1992**

**MARKET ANALYSIS CENTRE**  
**CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared August, 1992

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# Executive Summary

## Canada

Housing markets are forecast to improve, leading to a production of 167,000 housing starts this year and a further increase to 187,000 units in 1993.

The outlook is slightly weaker than in the previous issue of the National Housing Outlook due to a delayed economic recovery and the recent deterioration of labour market conditions.

***Housing starts to reach 167,000 units in 1992 and 187,000 units in 1993***

The lowest interest rates in more than 20 years and federal housing programs favourable to home ownership have improved affordability and supported a gradual recovery on the new and the existing market. Further advances will be made as the economy and employment resume with growth over the next 18 months. The overall trend, however, will be dampened by

special influences in the larger provinces such as reduced construction of assisted housing units in Ontario, a satisfied pent-up demand in Quebec and lot supply constraints in B.C. Both single-detached dwellings and multiple unit starts will improve, although single units will be stronger as high apartment vacancy rates will limit the production of new rental units.

## Newfoundland

The two-year moratorium on the northern cod fishery and delays to the Hibernia project have overshadowed the positive influence of declining interest rates and government initiatives on housing markets. As a result, housing starts are expected to decline 19 per cent this year to 2,300 dwelling units, the third consecutive annual decline. In 1993, an expected resumption of Hibernia investment coupled with a gradual recovery in other key resource based industries will support economic growth and contribute to a marginal recovery in housing starts to 2,500 units.

## Prince Edward Island

The PEI economy is expected to benefit from rising farm incomes as the potato industry makes up for some of the losses experienced over the past two years. The new GST centre in Summerside will

also add to employment levels. Housing demand is expected to improve mainly in the rural areas resulting in higher starts of single-detached dwellings. Housing starts should increase by 15 per cent to 635 units in 1992, followed by a small jump in 1993 to 650 units.

## Nova Scotia

Improved affordability — low mortgage rates, reduced down payments and tax free RRSP withdrawals — has created an upsurge in housing demand, particularly by first-time buyers. Residential construction, however, will nonetheless be curtailed in 1992 due to a delayed economic recovery and an oversupply of apartments. The large drop in apartment unit starts will offset a strong increase in single housing starts. Next year, a modest economic recovery will support housing markets. Housing starts are expected to drop to 4,000 units this year before rising to 4,800 units in 1993.

## New Brunswick

The start of an economic turnaround in New Brunswick resulted in increased activity in both the new and resale markets during the first half of the year. Steady recovery of export sales and continued low mortgage rates will support growth in both

single-family and multiple-family housing markets this year and next. As pent-up demand for starter homes is met, there are indications that the larger move-up homes are beginning to appear as a buyer's preference. An active resale market is expected to register price increases of 4.1 per cent this year and 3.3 per cent in 1993. Total starts should be 3,200 units in 1992, rising to 3,400 units in 1993.

## **Quebec**

Housing starts weakened in the first half of the year, following high levels of activity during 1991 due to popular provincial housing programs favouring home ownership and new construction. Further erosion can be expected for the remaining months of the year mainly because pent-up demand from first-time buyers has been substantially satisfied. The very hesitant economic recovery will also act to dampen the ownership market. Furthermore, the construction of rental units will remain weak due to high apartment vacancy rates in the province. As a result, housing starts in 1992 will fall to 39,900 units, rising slightly to 44,500 units in 1993 as the economy and job prospects improve.

## **Ontario**

Hit disproportionately hard during the recession, the Ontario economy has nonetheless seen a good recovery of housing markets mainly due to the high production of government assisted rental units. Despite improved affordability, the easing of resale house prices suggests continued doldrums on private markets.

Prospects for 1993 look more favourable due to the current improvement in consumer and business confidence, and an expected firming up of the economic recovery. Housing demand will also be boosted by large inflows of international migrants and a return to positive interprovincial migration. Starts are forecast to reach 59,000 units this year, improving to 69,500 units in 1993.

## **Manitoba**

Against a background of slow economic recovery and weak consumer confidence, housing markets strengthened during the first half of the year in response to improved affordability and 95 per cent mortgages for first-time buyers. Resale markets led the rally followed by new house sales. With prospects for a modest economic recovery, construction should reach 2,400 dwelling units this year, the first increase in five years. A further increase is expected in 1993, to 3,000 units.

## **Saskatchewan**

The province's new housing market recovered early this year from the worst conditions on record in 1991. Markets in Regina will benefit this year from the relocation of two large employers. While first-time buyers will help increase sales volumes on the existing market, most of the demand for new housing will come from households purchasing larger dwellings and empty nesters and seniors buying condominiums. The recovery of markets will, however, be limited by continuous out-migration levels that offset the natural increase in population.

Total starts are forecast at 1,400 units this year, easing slightly to 1,350 in 1993.

## **Alberta**

Non-residential investment sustained the Alberta economy through the recession, setting the stage for robust levels of new home construction in the early part of 1992. Highly affordable housing and the lowest interest rates in a generation are encouraging households to satisfy their pent-up demand for ownership housing. In 1993, a reduction in non-residential investment and poor prospects for the energy sector will result in lacklustre employment expansion, slower in-migration and reduced growth in housing demand. Starts are forecast at 15,600 units in 1992, rising slightly to 15,750 units in 1993.

## **British Columbia**

The B.C. economy is currently leading the national economy and is expected to maintain its momentum over the next 18 months. This, combined with high population growth and low interest rates, has strengthened housing demand. But lot supply constraints, especially for single-family units, are limiting production and causing prices to rise quickly. As a result the existing housing market is expected to see high sales and considerable price increases in excess of 10 per cent in both years. Starts are forecast to rise to 37,500 units in 1992 and 39,400 units in 1993. Because of production constraints, the multiples sector is expected to capture more of the market particularly in 1993. ■



# Canada

by Gilles Proulx



## Upward Trend Resumes on National Market

Recovery trends in housing construction resumed during the second quarter following a temporary setback in the opening months of 1992. Housing starts rose to 165,000 units, seasonally adjusted at annual rates (SAAR), up from 153,000 units in the first quarter. This remains below the rate of 180,000 units that prevailed during the second half of 1991. Leading the new construction market, sales of existing homes have been rising for two consecutive quarters.

The recovery in activity was supported by CMHC's First Home Loan Insurance that lowers the minimum

down payment for first-time buyers and by the Home Buyers' Plan that allows for tax-free use of RRSP funds in the purchase of a home. Lower mortgage rates were also strong contributing factors. However, further deterioration of labour market conditions partly offset these positive influences.

First-time home buyers were still the most active on the market. This was demonstrated by the stronger performance of the existing market, low prices indicating more activity at the entry level, and strong participation in the two federal programs launched early this year. The resulting tenure movement from rental to ownership also contributed to further increases in rental vacancy rates in most metropolitan areas. The national rate held steady at 4.4 per cent mainly because rates dropped marginally in Quebec following record levels in 1991.

Starts activity trends differed across regions. Higher activity was reported in the Atlantic provinces and the Prairie region but mostly in Quebec where starts recovered significantly, following a depressed first quarter. Ontario starts, still low because of the hard hit economy, fell slightly as a result of lower private activity offsetting higher government assisted rental starts. British Columbia activity was lower in the quarter, but began to increase again toward the end of the period.

On a year-to-date basis, new construction activity for the first half of 1992 showed significant progress over 1991 with 79,057 housing units started, up 22.9 per cent from the year-ago level. On the resale market, 172,407 residential units were sold through the Multiple Listing Service (MLS)\*; the advance of 0.8 per cent over the first half of 1991 was modest but an all-time record in the number of transactions had been set during the second quarter of 1991.

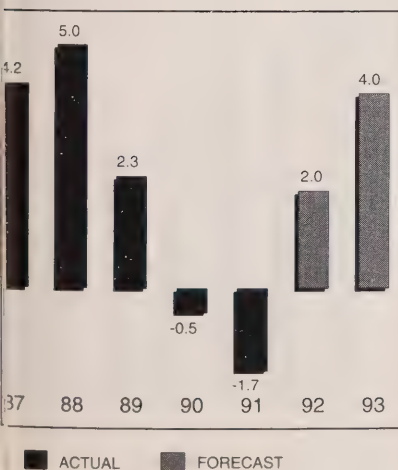
## 1992-93 Outlook

### Moderately Positive Recovery Prospects

Prospects of economic recovery have improved recently. Interest rates have come down to their lowest levels in more than 20 years, reducing the financial strain on consumers and business, and improving affordability for prospective home owners. Export prospects are firming up as a result of a recovery in the U.S. economy. A lower dollar and improved productivity should make Canadian producers more competitive on the domestic market and abroad. Housing is expected to remain a leading sector in the recovery.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

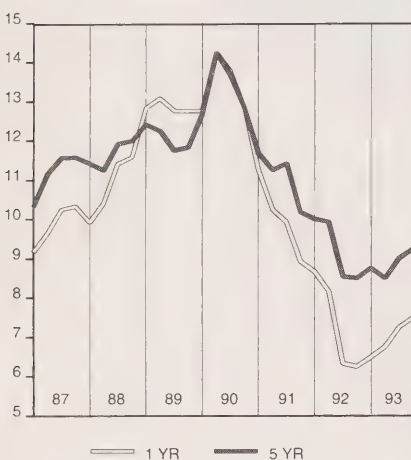
Real Gross Domestic Product  
(% Change)  
CANADA



SOURCE: Statistics Canada.  
FIC: Forecast.

Nevertheless, growth prospects will be limited when compared to earlier recoveries. The economy is expected to show real growth of two per cent this year, and four per cent in 1993.

### Mortgage Rates Per cent Major Financial Institutions



SOURCE: Bank of Canada Review.  
1992-93 CMHC forecast.

Interest rates have been trending downward. Most recently, in mid-August, the one-year mortgage interest rate was lowered to 6.5 per cent and the five-year rate to 8.75 per cent. Further reductions are likely up to the end of the year. As the economy improves, rates are expected to rise gradually next year, with respective averages of seven per cent and slightly less than nine per cent for the one-year and the five-year terms. However, with the core inflation rate at around two per cent, real rates may still appear high to borrowers. As a result, consumers may be reluctant to contract further debt, which would limit the recoveries in housing and durable goods spending.

Labour markets are expected to improve only marginally during the next 18 months. Slow recovery and continued industry restructuring have brought lower employment and rising unemployment rates from October

1991 to April 1992. Then, employment advanced in May and June but it dropped again in July. Although the recovery is expected to gain momentum, limited employment gains will result in unemployment rates close to 11 per cent both this year and next.

On a regional basis, employment will decline in seven provinces this year, with Newfoundland and Nova Scotia posting the largest declines. Employment will rise in British Columbia, Alberta and New Brunswick. In 1993, all provinces will post higher economic activity and employment. The strongest performance will be in Ontario and British Columbia.

### A Subdued Recovery in Housing Markets

The recovery in housing markets is expected to continue in the second half of 1992 and in 1993 as the economy improves and employment trends turn positive. The recovery will also be supported by low mortgage interest rates, high levels of international migration, and by the two federal housing programs encouraging home ownership.

Starts for 1992 are forecast to be 167,000 units, up 6.9 per cent from 1991. A further increase of 12 per cent is expected in 1993, with a resulting starts level of 187,000 units. The current forecast is lower than the preceding one by 10,000 units this year and 7,000 units in 1993.

This subdued pace of home construction will reflect the slow economic and job recovery, and special factors that will work to limit activity in the largest provinces. In Ontario, reduced social starts are expected in 1993. In Quebec, the recent provincial programs and the current two initiated by the federal government appear to have satisfied the pent-up demand creating excess rental

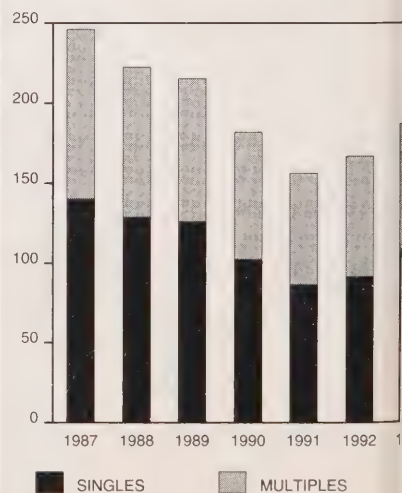
capacity and a very slow resale market. In British Columbia, activity will be dampened by lot supply constraints in the two metropolitan areas. The outlook in Newfoundland has also been clouded as a result of the recent ban on cod fishing, and uncertainty with respect to the Hibernia project.

The single-detached dwelling market is expected to post the fastest growth as affordability will remain favourable due to low interest rates, fairly stable prices and improved incomes. Construction of single-detached dwellings is expected to rise 5.7 per cent this year to 91,500 units and to jump 19.1 per cent in 1993 to 109,000 units.

Multiple starts will also rise but the levels will be constrained by high apartment vacancy rates that are expected to continue showing year-over-year increases by the spring of 1993. Starts of multiple units are expected to rise by 8.4 per cent this year to 75,500 units, with further modest gains to 78,000 units in 1993, an increase of 3.3 per cent.

The strong performance of the Prairie provinces and British Columbia so far this year will ensure that they lead the national trend in 1992

### Housing Starts Units Thousands (Annually) CANADA



SOURCE: CMHC.  
1992-93 Forecast



with starts activity up by more than 20 per cent in all four provinces. At the other end of the spectrum, starts activity in Quebec, Nova Scotia and Newfoundland is expected to drop by more than 10 per cent. In 1993, the lead is expected to be taken by Ontario, Manitoba and Nova Scotia, which will all register increases of more than 15 per cent. Smaller positive advances are expected for all other provinces except Saskatchewan which will have a marginal decline.

The resale market, also benefiting from these favourable influences, is expected to show moderate growth over the next year and a half. Total sales through the MLS system should rise to 316,000 units this year and to 333,000 units in 1993, for respective

annual increases of 5.1 and 5.4 per cent.

A gradual recovery in housing markets and an environment of low inflation should limit house price increases. The New House Price Index is expected to be down by 0.5 per cent this year and up 3.6 per cent next year. Different regional profiles underlie this national trend. In 1992, prices will be lower in several Ontario CMAs while they will rise by approximately 8 per cent in the two metropolitan areas in B.C. In 1993, the increases will be around 10 per cent in British Columbia while they will range from one to four per cent in other provinces. On the resale markets, expectations are for price increases of 2.2 and 5.9 per cent in

1992 and 1993. The slightly higher increases, compared with the New House Price Index reflect the large proportion of MLS sales in British Columbia as well as a market that will include an increasing presence of move-up buyers.

The recovery for this year and next is more subdued than usual for both the economy and housing markets. The level of starts forecast for 1992 and 1993 suggests increasing pent-up demand that should push starts activity beyond the 200,000 level for several years after 1993, when the economy enters a real expansion phase. ■

# Newfoundland

by Mac Woodman and Brian Martin



## Highlights

- Northern cod moratorium and Hibernia delays contribute to housing slump.
- Marginal gains forecast for housing markets in 1993.

## Housing Demand Falters

Job losses and further erosion in consumer confidence led to a 17.5 per cent decline in housing starts in the first half of 1992. New home construction improved in the second quarter but remained at depressed levels. Single-detached starts fell 21.7 per cent to 558 units while multiple-unit construction was down 4.0 per cent to 215 units. Demand for rental accommodation in the St. John's region continued to decline in the second quarter with the vacancy rate rising to 7.3 per cent.

Lower interest rates and the availability of 95 per cent financing provided a boost to the first-time buyer segment of the resale market in the early part of 1992. Signs of recovery stalled in May as economic uncertainty took hold. MLS sales in the metro region rose a modest 0.3 per cent with the market maintaining its favour to buyers. The average price of a resale home in the St. John's area increased 1.9 per cent to \$90,543. Including the Central

region, MLS sales were up 1.1 per cent.

## 1992-93 Outlook

### Weak Economic Performance

The two year moratorium on the northern cod fishery coupled with a reduction in Hibernia development expenditures will lead to a 2.5 per cent decline in economic output in 1992. An expected resumption in Hibernia investment coupled with a gradual recovery in other key resource-based industries will support economic growth of 1.5 per cent in 1993.

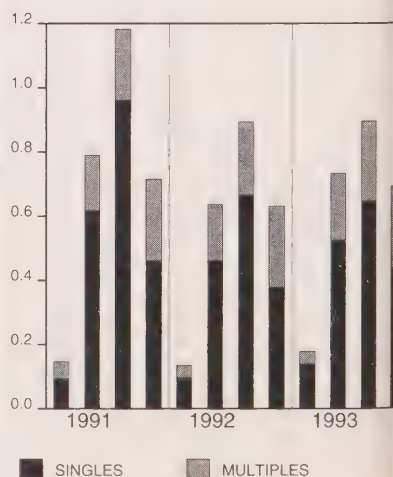
The northern cod moratorium will result in further plant closures and directly affect an estimated 19,000 fishermen and plant workers. When combined with a five year moratorium on the salmon fishery and a temporary ban on the commercial caplin harvest, fisheries related output is forecast to decline by more than 50 per cent over the 1991-92 period.

Following Gulf Canada's withdrawal from Hibernia, the development is expected to get back on stream next year with significant gains in expenditures forecast. Overcapacity and weak markets will contribute to marginal declines in newsprint output in 1992. Renewed strength in global markets will support moderate growth in newsprint in

1993. Following lower output this year, the re-opening of the Hope Brook Gold Mine and improved markets for iron ore will result in modest growth in metal mining in 1993.

The income replacement program for workers directly employed in the northern cod fishery is not expected to completely offset lost wages. Combined with higher taxation and a provincial government wage freeze, real disposable income is expected to decline in 1992. Lower incomes and reduced confidence will suppress consumer demand and contribute to declines in retail trade this year. Businesses providing services to the fishery will be hardest hit. Modest

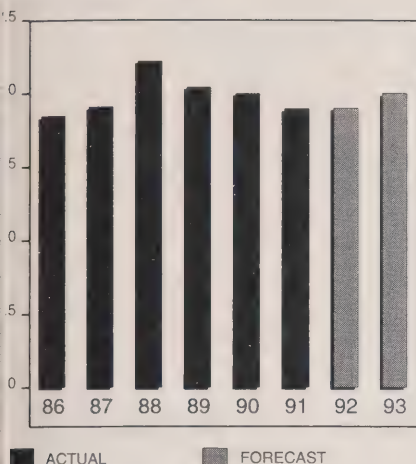
**Housing Starts**  
**Units Thousands (Qtrly)**  
**NEWFOUNDLAND**



SOURCE: CMHC.  
1992-93 Forecast.



## Residential MLS\* Sales Units Thousands NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

gains in employment will provide stimulus to the service sector in 1993.

Widespread weaknesses throughout the economy will be reflected in a 4.6 per cent drop in employment in 1992. Employment is forecast to advance 1.1 per cent in 1993 largely on the strength of Hibernia. The economic downturn will lead to a shrinking labour force in 1992. Reductions in the labour force will mask the total impact on employment with the unemployment rate forecast to average 20 per cent in 1992 before falling marginally to 19.8 per cent in 1993.

A weak economic recovery in other parts of the country combined with a fisheries response program viewed as acceptable by many will limit the exodus of people. Accordingly, the net outflow of persons is forecast at 3,700 in 1992 and 4,500 in 1993.

## Marginal Recovery for Housing Markets in 1993

The positive influences of declining interest rates and government initia-

tives have been overshadowed by the fishery ban and Hibernia delays. The housing slump is expected to continue for the remainder of 1992 with only marginal gains forecast for 1993. Higher unemployment and low consumer confidence will lead to an 18.9 per cent decline in new home production to 2,300 units in 1992. Although Hibernia spinoff activity will stimulate residential construction next year, higher levels of out-migration and an oversupplied resale market will limit the increase to 2,500 units.

Following a 25.1 per cent decline to 1,600 units in 1992, single-detached starts will advance to 1,750 units in 1993. Multiple-unit construction in 1992 is forecast to remain unchanged from 1991 levels. It will rise to 750 units in 1993 and continue to be concentrated in two-apartment dwellings and seniors housing. Lower levels of assisted housing will moderate housing starts.

Low interest rates and 95 per cent financing will help to cushion the impact of a weak economy on the resale market this year. At 1,800 units, total MLS sales in the St. John's region will remain unchanged this year from 1991 levels. Spinoffs from the Hibernia project will support modest gains in activity next year with total MLS sales increasing marginally to 1,900

units. MLS sales in central Newfoundland are forecast at 100 units in both 1992 and 1993. The increase in sales of entry level homes will moderate price growth in 1992/93. The average MLS house price is forecast to decline 0.9 per cent to \$90,000 in 1992 before advancing 2.2 per cent in 1993.

Demand for rental accommodation is not expected to show signs of improvement until late 1993 reflecting the persistence of weak economic conditions. Increased homeownership, higher levels of out-migration and an ongoing supply of two-apartment dwellings will limit the demand for larger rental projects. Vacancy rates are expected to range between 7.0 and 8.0 per cent during the balance of 1992 and 1993 with rental rates for average accommodation expected to increase at or slightly below a 2 per cent inflation rate. ■

## Key Provincial Indicators Newfoundland

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.4	-2.5	1.5
Employment (% Change)	-2.0	-4.6	1.1
Unemployment Rate (%)	18.4	20.0	19.8
Housing Starts (Units)			
Total	2836	2300	2500
Singles	2135	1600	1750
Multiples	701	700	750
MLS* Sales (Units)	1892	1900	2000
Average MLS* Price (Dollars)	90822	90000	92000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Prince Edward Island

by Ralph Freeze



## Highlights

- Housing starts turn corner in second quarter of 1992.
- Minimal economic growth seen for 1992.
- Job uncertainty impacts resale market.

## Housing Starts Improve on Strength of Second Quarter

The second quarter of this year experienced a five per cent improvement in housing starts relative to the same period last year. This represents the only significant increase since late 1990. Although 1991 was one of the worst years for new construction, a five per cent increase is a welcome sight. Single starts in the rural areas fueled the increase, along with a large jump in the construction of semi-detached units which led to an increase in multiple starts. Declining apartment starts are in response to record high vacancy rates in Charlottetown. Total starts in the province are also five per cent ahead of the first half of 1991.

PEI is one of the few provinces with fewer MLS sales at mid-year than 1991. Traditionally, the Island has been late going into and coming out of recessions. This holds true for

the current economic tide. Rising unemployment rates have only added to already depressed consumer confidence. Insecurity about employment has eroded the impact of declining mortgage rates especially in the urban communities.

Sales are also affected by the fact that strength in the housing market is coming from rural areas. Existing homes in rural communities are few, and often older stock, which leaves building as the only option.

## 1992-93 Outlook

### Economy Crawls for Another Year

Economic growth for 1992 and 1993 is forecast at 1.0 per cent and 2.5 per cent respectively. Construction continues to be the source of improvement. Although new home construction will provide growth, the main source will be in the form of non-residential construction. Farm income is expected to improve as the potato industry makes up for some of the losses experienced over the past two years. The price outlook is positive but concerns remain over market accessibility due to the potato virus.

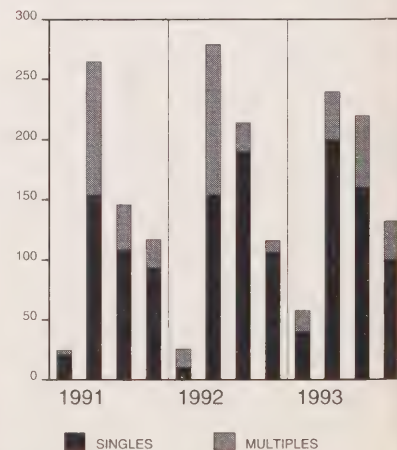
In 1993, employment will get a boost as the GST centre in Summer-

side begins to fill positions. After four years of net out-migration, a positive influx of people is expected for 1993. Solid news on the fixed link will not be in time to impact 1992, but a green light on the project would cause an upward revision to the economic outlook for 1993.

## Starts Increasing by 15 Per Cent

Housing starts are forecast to increase by 15 per cent to 635 units in 1992, followed by a small jump in 1993 to 650 units. A stubbornly high unemployment rate has led to out-migration and hesitant consumers. On top

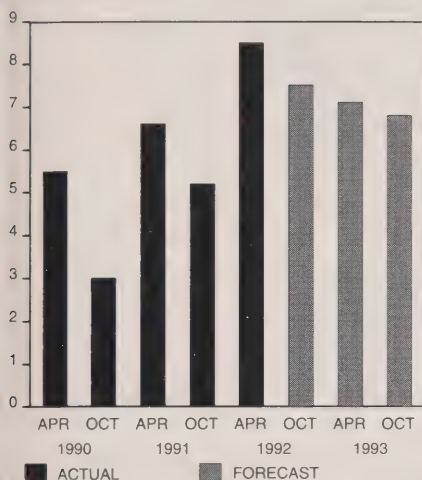
**Housing Starts**  
Units Thousands (Qtrly)  
PRINCE EDWARD ISLAND



SOURCE: CMHC.  
1992-93 Forecast.



**Charlottetown Vacancy Rate  
(3 units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

of this, the number of existing homes listed for sale is high and the entire province could be classified as a buyer's market. This has hindered those desiring to sell and build new homes as there is a wide selection of competitively priced existing units on the market. Under this set of circumstances, the increase in housing starts is lower than would be expected given the reduction in mortgage rates.

Increased housing starts for both 1992 and 1993 are expected to come from single-family home construction. Rural areas will provide the driving force behind single-family starts due to a lack of housing alternatives.

Apartment construction has declined by 60 per cent from the peak in 1988 to the end of 1991. The forecast will remain at 175 units in 1992, declining modestly to 150 units in 1993. This is a result of record high vacancy rates in Charlottetown. Private rental construction will be

focussed on special markets such as close proximity to the university, and the Summerside area. After three years of virtually no rental construction in Summerside, a few units have been started in response to demand for modern accommodations.

## Resale Market Slips in 1992

The forecast for MLS sales has been revised downward. Due to the drop in sales during the first six months of 1992, it appears unlikely that 1991 levels will be reached. Therefore, a drop of eight per cent is forecast for 1992 as lingering unemployment and fewer seasonal jobs cut into household income and cause uncertainty for potential home purchasers. Although reduced mortgage rates have lowered the cost of home ownership, high vacancy rates in the rental market do not leave much room for rent increases. The motivation to leave a rental unit for ownership is shaky under these conditions.

A six per cent increase in sales for 1993 will be the result of improving consumer confidence. Employment is expected to be on a track toward pre-recession levels and the recent pattern of residents leaving the province will reverse. This will provide a boost to housing demand. As the economy shows signs of healthier growth, houses will start to sell. Signals have been in place indicating a move in this direction since early summer of this year. Real estate companies have been adding a number of agents to their roster as activity begins to pick up.

Average resale prices for 1992 are forecast to remain at last year's level and increase by three per cent in 1993. The lack of movement in average price this year is partially due to fewer sales of expensive homes. In addition, prices of comparable homes are not expected to increase until the economy improves and the number of listings is reduced. These factors are expected to develop on the Island during 1993. ■

## Key Provincial Indicators Prince Edward Island

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.5	1.0	2.5
Employment (% Change)	-4.1	0.0	1.9
Unemployment Rate (%)	16.8	17.0	16.0
Housing Starts (Units)			
Total	553	635	650
Singles	376	460	500
Multiples	177	175	150
MLS* Sales (Units)	764	700	740
Average MLS* Price (Dollars)	71033	71000	73000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Nova Scotia



by André Moore and Joel Baltzer

## Highlights

- A delayed economic recovery and oversupply of apartments is curtailing residential construction in 1992.
- A strong increase in single housing starts this year will not be sufficient to offset a large drop in apartment unit starts. Consequently, total housing starts will fall 22.7 per cent to 4,000 units in 1992.
- The outlook for 1993 is more positive, with total housing starts rising 20 per cent.

## Housing Starts Continue Slide in 1992

Amidst a sluggish economy, provincial housing starts fell to the lowest level in ten years. Total housing starts dropped 23.7 per cent to 1,582 units in the first half of 1992, compared to the same period in 1991. The decline is attributed to a large drop in apartment starts following an apartment construction boom in 1991. Developers have responded to overbuilt rental markets by curtailing plans to build new apartment buildings in 1992.

Despite the downturn in residential construction, housing demand seems to be on the rise in Nova Scotia.

Improved affordability — low mortgage rates, reduced downpayments, and tax free RRSP withdrawals — has created an upsurge in housing demand, particularly from first-time buyers. New single-detached homes rose 22.4 per cent in the first half of the year, compared to the same period in 1991. Similarly existing home sales increased 9.5 per cent in the first half of the year. It is estimated first-time buyers accounted for 55 per cent of residential sales through mid-year.

## 1992-93 Outlook

### Recovery Delayed, But in the Works

Initial projections for an end to the recession in Nova Scotia this year, as part of a larger Canadian recovery, have been dashed. After heavy losses at the beginning of the year, the economy is on a slow path to recovery. However, gains made at the end of the year will not be sufficient to offset losses encountered at the beginning, with economic activity (Real GDP) registering a 0.6 per cent decline overall for 1992. The recovery will continue throughout 1993 with growth forecast at a modest 2.5 per cent.

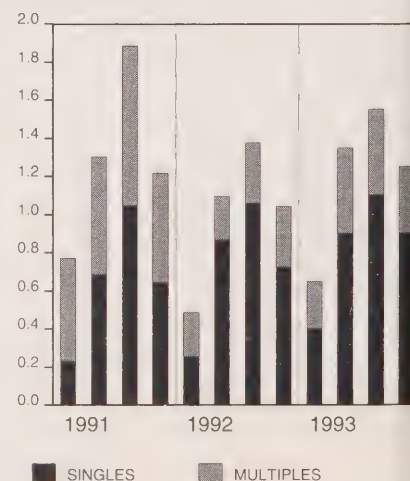
The combination of recession and structural changes to the economy has been particularly hard on business and consumer confidence. As well, government cutbacks and losses of cornerstone businesses (e.g., Rio

Algom Tin Mine, Dominion Textile, Central Guaranty Trust Company) in Nova Scotia throughout the recession have had a profoundly negative effect on confidence.

According to Statistics Canada, total investment spending will drop for a third consecutive year. Spending will decrease by 6.2 per cent in 1992, with fewer large scale projects planned, and with many of those already underway winding down. Some of the larger projects on the books include the Twinning of Highways 101 and 104, new Halifax Infirmary and Cape Breton Regional hospitals, Point Aconi power construction project, offshore oil field development, and Maritime Telephone and Telegraph's multi-year modernization program.

Despite the recession, business and consumers will have to return to the

**Housing Starts**  
Units Thousands (Qtrly)  
**NOVA SCOTIA**



SOURCE: CMHC.  
1992-93 Forecast.



market place eventually to take care of pent-up needs and to invest in their futures. A combination of historically low interest rates, near zero inflation, favorable exchange rates with the U.S., an abundance of idle capacity, and low costs for labour, land and materials, are creating the foundation for the economic recovery in Nova Scotia.

The recession has cost 8,000 jobs, both in 1991 and 1992. Nova Scotia's labour market will rebound in 1993, with about 8,000 new jobs created. The unemployment rate will rise to average 12.9 per cent this year, before declining to 12.1 per cent in 1993.

### Mixed Signals for Housing

A delayed economic start-up for Nova Scotia has led to a downward revision of the housing forecast. Reduced apartment construction will lead to total housing starts dropping 22.7 per cent to 4,000 units in 1992. In 1993, housing markets will rebound in concert with modest economic growth. Total housing starts will rise 20.0 per cent to 4,800 units next year.

The demand for new single homes was on the rise during the first half of 1992, and is expected to continue throughout the forecast period. Increased home purchases from first-time buyers has raised the level of house construction. Only about 15 per cent of first-time buyers are purchasing new homes. However, increased home purchases from this market segment are creating opportunities for existing home owners to trade-up to new ones. Single-detached home starts will rise 11.4 per cent to 2,900 units in 1992, followed by a 13.8 per cent increase to 3,300 units in 1993.

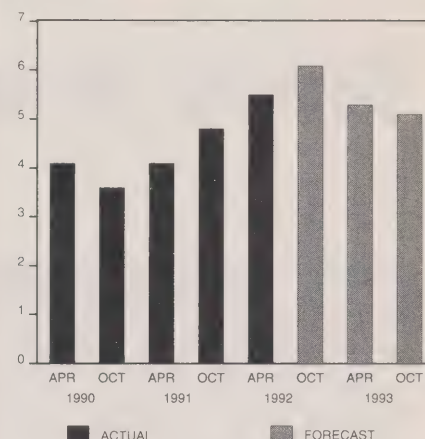
Existing home sales will rise 8.4 per cent to 6,300 units in 1992, and a further 3.2 per cent to 6,500 units in 1993. The level of first-time buyers is expected to moderate somewhat throughout the forecast period as pent-

up demand is satisfied. However, attractive financing options, including continued low interest rates, will further stimulate housing demand as the economy improves. Additional demand will help firm-up house prices, with average prices rising 4.1 per cent to \$90,000 this year, and a further 4.4 per cent to \$94,000 in 1993.

Multiple-unit housing starts will fall 57.2 per cent to 1,100 units in 1992, before rising 36.4 per cent to 1,500 units in 1993. Investor interest in rental housing is waning. Several factors are contributing to less apartment construction during the forecast period, including high vacancies, large inventories of units currently under construction, slowing rental demand, some land supply constraints, and cautious lenders. Unlike apartment starts, construction of semi-detached units will rise in 1992 and 1993 as contractors build this affordable housing form, mostly with first-time buyers in mind.

Nova Scotia rental markets are oversupplied. Apartment vacancies increased during the past year in all of Nova Scotia's urban centres as a result of both increasing supply and weakening demand. In Metro Halifax, for example, the apartment vacancy

**Halifax Vacancy Rate  
(3 units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

rate rose to 5.5 per cent in April 1992 the highest in 29 years. Rental demand is expected to moderate somewhat during the forecast period as some tenants take advantage of favorable housing market conditions in order to buy their own homes. As well, additional completions will further boost the apartment supply. In Halifax, vacancy rates will rise further to 6.1 per cent in October 1992, before gradually declining to 5.1 per cent by October 1993. ■

### Key Provincial Indicators Nova Scotia

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.4	-0.6	2.5
Employment (% Change)	-2.0	-2.2	2.2
Unemployment Rate (%)	12.0	12.9	12.1
Housing Starts (Units)			
Total	5173	4000	4800
Singles	2604	2900	3300
Multiples	2569	1100	1500
MLS* Sales (Units)	5811	6300	6500
Average MLS* Price (Dollars)	86462	90000	94000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# New Brunswick



by Bruce Read

## Highlights

- Residential construction this year will lead 1991 level by 11.4 per cent.
- Resale market activity to match 1991 level before increasing by 250 sales in 1993.
- Rental markets to remain soft over the forecast period.

## Housing Market Review — First Half 1992

The start of an economic turnaround had a positive impact on the housing market in New Brunswick. Improved affordability and recovering consumer confidence resulted in increased activity in both the new and resale markets during the first half of the year.

The most pronounced impact was felt in the new construction market where activity to the end of June led the 1991 mid-year level by 39 per cent. Although first quarter activity trailed last year's performance, second quarter housing starts advanced by a robust 60 per cent. Growth in the new construction market occurred equally in the single-family and multiple-family segments.

Recovery in the resale market remained on a weaker footing. Despite a 17 per cent increase in sales during the first quarter, sales to the end of June were less than one per cent above last year's mid-year level.

Prices however, continued to move ahead and by the end of the second quarter the average price of homes selling in the resale market was up 2.8 per cent to \$83,437. There are currently considerable differences in price growth in the various markets within the province. Prices in the Moncton market to the end of June have increased by more than six per cent as buyers shift their focus to the more expensive house types. The average selling price in the Saint John market, however, has fallen \$400 below the 1991 mid-year level of \$80,900. This comes as a result of the continuing preference for the less expensive first-time ownership houses.

The rental market in New Brunswick continued to soften. The average vacancy rate for the six cities, that stood at 4.4 per cent in April 1991, moved up to 5.5 per cent this spring. Increased rental supply coupled with a movement into homeownership by financially secure renters underpinned this change.

## 1992-93 Outlook

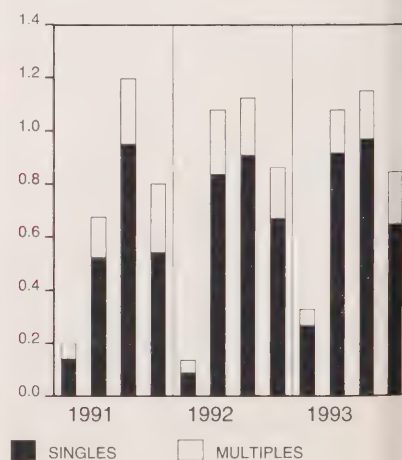
### Economic Recovery Is Slow to Arrive

The New Brunswick economy is experiencing some difficulty in regaining a solid economic footing. The protracted recovery in the New England States is having a proportionately greater effect on the New Brunswick economy, due to its heavy dependence on export markets.

Earlier expectations for growth in 1992 of 2 per cent have been lowered in light of the lagging performance of some of the key export oriented industries. The revised forecast calls for a growth rate of 1 per cent this year and an improved 3 per cent rate of growth in 1993.

Forestry and its related industries are New Brunswick's most important employment generator. Industry rationalization that has been occurring in global markets over the recent past has had a negative impact on the local job market. The many jobs that were lost during the recent downturn will be difficult if not impossible to recover. The continued soft market conditions for wood chip and paper products will only serve to aggravate this situation. It will not be until 1993

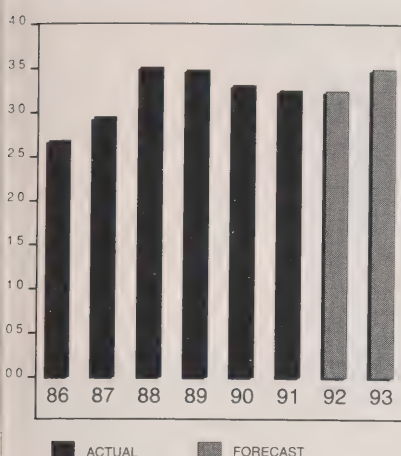
**Housing Starts**  
Units Thousands (Qtrly)  
**NEW BRUNSWICK**



SOURCE: CMHC.  
1992-93 Forecast.



## Residential MLS\* Sales Units Thousands NEW BRUNSWICK



SOURCE: The Canadian Real Estate Association.  
MHC: Forecast.

Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

that this key sector of the economy regains a portion of its lost vitality.

The mining industry will be the bright spot in New Brunswick's array of resource-based industries. Significant improvements in productivity, in combination with improving prices for base metals, will place this important industry back on its feet in 1992.

The labour market will regain some lost ground during 1992 and display healthy growth in 1993. The unemployment rate rose to 12.7 per cent in 1991 as the recession erased 5,000 jobs from the local economy. As the recovery proceeds an expanding labour force will continue to drive the 1992 unemployment rate up to 13.0 per cent. This will occur despite the forecast creation of 2,000 new jobs this year. Employment growth during 1993 will be more robust. The forecast 5,000 new jobs next year will bring the unemployment rate back down to 12.5 per cent.

## Improvements Forecast for Housing Market

A steady economic recovery and continued low mortgage rates will

support growth in the housing market both this year and next. Consumer and investor confidence, that were weak during the opening months of this year, will strengthen over the outlook period.

The number of new homes started will increase by 11.4 per cent to 3,200 this year before moving up to the 3,400 unit level in 1993.

The good news will appear in both the single-family and multiple-family markets. The number of single-family homes built last year that totalled 2,154 will increase to 2,500 this year and 2,800 in 1993. As pent-up demand for the less expensive starter homes is met during the early part of the forecast period, the larger move-up homes will again begin to appear as a buyer's preference. Evidence of this has already begun to appear in some of the major market areas as builders report increased interest in larger house types.

The production of apartment units and other multiple-family unit types is forecast to reach 700 new units this year. As escalating vacancy rates place project viability in question during the latter part of the forecast period, production levels will decline. The forecast for multiple starts in

1993 calls for the initiation of 600 new units.

## Resale Market to Expand In 1993

Despite the temporary loss of momentum in the resale market, sales to year end will match the 1991 total. While sales have surged ahead in the Fredericton area, buyers in the Saint John and Moncton markets have displayed some hesitancy to commit themselves to the purchase of an existing home. This comes in part as a result of the ability of local builders to place modestly priced homes on the market for the first time home-buyer. The Saint John and Moncton markets, however, will recover as the year proceeds and provide much of the strength necessary to carry 1993 provincial sales to the forecast 3500 unit level.

Prices on average will display good growth this year and next. The average price of homes sold during 1992 will advance by 4.1 per cent to \$84,250. Improved price growth will come in part as a result of increased sales of larger more expensive homes in the various markets within the province. House prices will edge up an additional 3.3 per cent in 1993. ■

## Key Provincial Indicators New Brunswick

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.8	1.1	3.0
Employment (% Change)	-1.7	0.7	1.7
Unemployment Rate (%)	12.7	13.0	12.5
Housing Starts (Units)			
Total	2872	3200	3400
Singles	2154	2500	2800
Multiples	718	700	600
MLS* Sales (Units)	3259	3250	3500
Average MLS* Price (Dollars)	80897	84250	87000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



# Quebec

by Kim-Anh Lam



## Highlights

- Residential construction to continue downward in second half.
- A sluggish economic climate will prevail in 1992 with an upturn expected for 1993.
- For 1993, improved consumer confidence will bring a construction recovery.

## Mixed Results on the Housing Market

The housing market, after having posted mixed results over the first six months of 1992, is expected to decline further over the next few months before entering a new growth phase in 1993.

Residential construction, in the second quarter, was on an upswing with 45,000 housing starts SAAR, which represents a 36 per cent increase over the preceding quarter. This upswing, a welcome development following the very low construction levels of last winter, was however, lower than last year's second quarter.

There were a total of 14,247 actual housing starts during the second quarter of this year, a decrease of 10 per cent compared to the exceptionally high level for the same period in 1991. This decline is due to a 15 per cent reduction in the number of new

single-detached dwellings and to a reduction of 7 per cent in new rental units. The only products recording growth were row houses and condominiums. These units, with prices under \$100,000, were attractive for first-time buyers.

Due to the slow pace of the recovery and productivity growth, the labour market continued to deteriorate. The precarious employment situation for those in the 25 to 44 year age group, who make up the main pool of potential clients for the single-family product, would seem to be at least one reason for lower activity in single-family construction.

During the second quarter, the rental market in the province enjoyed some relief. The vacancy rate went down from 7.1 per cent in October 1991 to 6.4 per cent in April 1992. Moreover, the new rental stock still unoccupied shrunk by 31 per cent, to only 1,725 units as of the end of June. This situation is the result of a steady reduction in rental construction. Moreover, new immigrants as well as certain tenant households preferred to rent rather than own given the problematic labour market.

The resale market, still dominated by first-time buyers, did not maintain the momentum built up during the first quarter of 1992. After an increase of 25 per cent in the first quarter, the number of MLS sales (9,770) in the second quarter was practically identical to that for the same quarter last

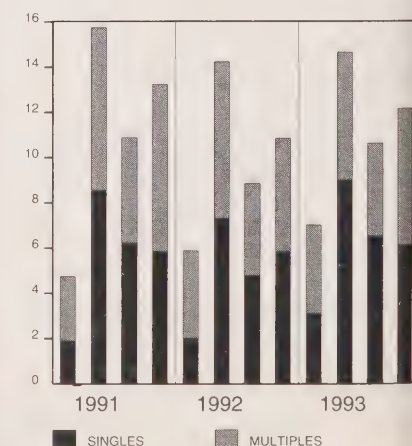
year. Buyers' market conditions continued to prevail with a large number of houses for sale and the average price of MLS transactions remained virtually the same.

## 1992-93 Outlook

### Economic Upturn Forecast for 1993

The housing market will get back on the growth track in 1993 due to a better economic outlook. After a weak 1.5 per cent increase in 1992, real G.D.P. will rebound by 3.5 per cent in 1993. The productivity gains achieved this year will fuel increases in production and exports. Moreover, the recovery in the U.S. will boost ex-

**Housing Starts**  
Units Thousands (Qtrly)  
**QUEBEC**



SOURCE: CMHC.  
1992-93 Forecast.

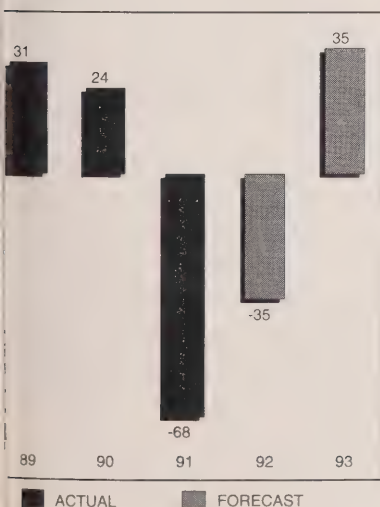
ports especially for pulp and paper, lumber and aluminum.

In 1993, Quebec will benefit from recent investment commitments in leading industries (pharmaceutical, transportation and communications). The GM plant in Boisbriand will start production of new models this fall while the Canadair-Bombardier plant has already increased its production capacities. Public investments in road and power distribution systems will reinforce the recovery. The only cloud on the horizon will be the continued weakness of investments in industrial and commercial construction, the result of high vacancy rates in these types of buildings.

After two years of contraction and adjustments due to the GST and the Quebec Sales Tax, a flexible monetary policy with low interest rates should encourage consumers to spend. Consumer spending will increase by 3.5 per cent in 1993, sustained by sales of cars and durable goods (kitchen appliances and furniture).

The labour market, after a loss of 35,000 jobs in 1992, will recover with an offsetting increase in 1993. In spite of a gradual increase in production, the unemployment rate will remain

#### Net Employment Change Thousands of Persons QUEBEC



SOURCE: Statistics Canada.  
CMHC: Forecast.

above 12 per cent as job creation will not be sufficient to meet the growth in the labour force.

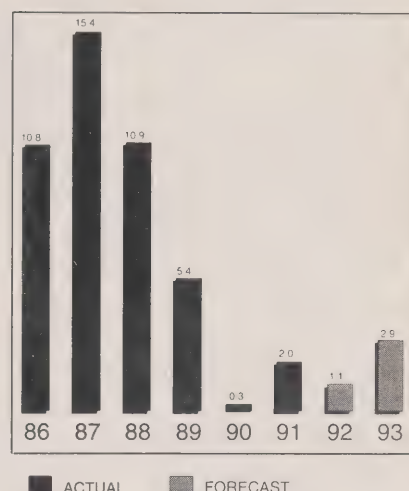
The effects of international migration on the housing market have remained important in compensating for the negative interprovincial migratory balance. In an economy where jobs are increasingly scarce, Quebec's net migratory balance will be only 26,500 in 1992 and 27,000 in 1993, with both figures being lower than last year's net flow of 31,249. Already during the first quarter of this year, the province's net migratory balance is down 11 per cent compared to figures for the first quarter last year.

#### Housing Market to Show Renewed Strength in 1993

Residential construction will close 1992 with 39,900 units but will show more strength in 1993 with 44,500. Residential construction will slide further over the next few months with the first-time buyer pool getting progressively smaller. The end of the provincial "Deal Estate Program" and "Home Ownership Down Payment Assistance Program" in the first quarter of this year encouraged first-time buyers to advance their home purchase. Moreover, move-up buyers will not be very active this fall. In fact, a slack labour market and weak consumer confidence will certainly not be incentives for consumers to incur debts by buying more expensive houses.

The number of single-detached houses built in 1992 (20,000) will be 11 per cent lower than the number built in 1991. Renewed buyer interest for intermediate priced houses will further increase activity in 1993 leading to the construction of 24,800 single-detached houses. Semi-detached and row houses will remain popular among first-time buyers throughout 1992 with a production

#### Average Residential MLS\* Price % Change QUEBEC



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

rate (7,400 units) practically as high as last year. For 1993, this sector will fade somewhat as activity will pick up for detached houses priced \$100,000 and more.

In 1992, stiff competition on the residential market will mean that the average price for new houses will remain stable for a second consecutive year, even with the implementation, as of July, of the 4 per cent Quebec Sales Tax (QST) on new houses. For 1993, a 3 per cent price increase will reflect the forecast increase in activity.

Rental construction activity will fall to a record low of 7,500 units in 1992. The 18 per cent decline in starts of rental units will help to move the market toward a better balance. Low rent increases, difficulties experienced in renting units and the abolition of the capital gains exemption in the real estate area, all reduce incentives for investors interested in new rental housing. For 1993, starts in this sector will improve, rising to 10,000 units. The vacancy rate, which will peak in October, will come back

down to around 5 per cent in 1993. The Montreal metropolitan area, for example, with 70 per cent of the provincial rental stock, will record a vacancy rate slightly above 8 per cent this fall.

The condominium market, still trying to cope with a glut of new, up-scale units unsold, will, nevertheless, have a good year. The forecast of 5,000 units for 1992 will mean a slightly better performance than last year. New construction was targeted solely on very inexpensive row house units or low density buildings. In 1993, there will be a gradual increase in popularity of condominiums priced \$100,000 and more to meet a demand generated by retired people, or those close to retirement age, who have been successful in selling their houses.

The number of MLS transactions will increase by 8 per cent in 1992 to 30,200. The resale market with a large supply of affordable homes will

<b>Key Provincial Indicators Quebec</b>			
	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-1.5	1.5	3.5
Employment (% Change)	-2.2	-1.2	1.2
Unemployment Rate (%)	11.9	12.3	12.1
Housing Starts (Units)			
Total	44654	39900	44500
Singles	22531	20000	24800
Multiples	22123	19900	19700
MLS* Sales (Units)	27981	30200	34800
Average MLS* Price (Dollars)	102840	104000	107000

**SOURCES:** CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

continue as the market of choice for first-time buyers. Next year, thanks to a more vigorous recovery and to the federal 5 per cent down payment plan and the RRSP Home Buyers' Plan, the resale market will post a 10 per

cent increase in sales. The average sale price will not increase much more than 1 per cent in 1992 but will show a higher increase of 3 per cent in 1993. ■



# Ontario

by Alex Meadow

## Highlights

- Migration and job growth to stimulate housing markets in the next two years.
- Home price turnaround expected. Moderate price growth forecast for 1993.
- Active market of first-time resale home purchases to spill over to move-up new home market in 1993.



multiple dwelling construction by 50 per cent.

Rental vacancy rates in Ontario's Census Metropolitan Areas (CMAs), fluctuated around their highest levels in over a decade in the April 1992 rental market survey. This attests to weak renter demand not only as a result of the doubling up of renters during the economic downturn, but also to tenure shifts from rental to the more affordable ownership market.

Prices of existing Ontario homes declined throughout the first half of this year as a consequence of employment losses and the large supply of

MLS listings of existing homes.

Many potential buyers lost the confidence or financial ability to purchase more expensive homes when a two income household member lost a job. The decline of Ontario's labour force participation rates, which was coincident with the MLS home price decline, reflected the gloomy atmosphere of uncertain job prospects and discouraged unemployed persons leaving the labour force altogether. At the same time sales continued to trend upward as first time buyers took advantage of the ever increasing affordability levels, the lower five per cent minimum required down payments and access to RRSP funds for home purchases.

## MLS Price and Labour Force Participation Rate ONTARIO



SOURCES: Statistics Canada, The Canadian Real Estate Association.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

## 1992-93 Outlook

### Migration to Strengthen Housing Demand

Ontario lost 314,000 jobs between February 1990 and April 1992, or one out of every sixteen jobs. Job losses were geographically centered around Toronto. The hardest hit was the province's 15 to 24 year old age bracket, which lost approximately one in four jobs. The latest (at the time of writing this report) July Labour Force Survey, revealed that both seasonally adjusted employment levels and labour force participation rates were

## Cautious Home Purchasing

Ontario's economy was hit disproportionately hard during this recession and housing markets are still shaking off the influences of the deep economic downturn. The province's new home starts, at 55,000 SAAR in the second quarter of 1992, reflected cautious home purchasing and remained virtually unchanged from the 56,000 SAAR in the first quarter. Housing starts were, however, considerably better than last year. This year's first half year-to-date figure of 27,120 was almost a third higher than the 20,467 units started during the recessionary low levels of the first two quarters of last year. Year-to-date single-detached home construction rose moderately by 14.7 per cent from last year. Government assisted rental starts have lifted year-to-date

still hovering close to their recessionary lows of April 1992. International immigration, which hit record levels, was one of the few forces during this recession working to stimulate Ontario's housing demand. But even its impact was overshadowed by the economic downturn. The depth of the province's employment descent explains why, despite record low interest rates, prospective home buyers remained cautious about making large financial commitments.

To the benefit of Ontario's housing markets, several key economic indicators demonstrated that economic recovery is emerging in the province. Consumer confidence, as measured by the Conference Board of Canada's Ontario Index of Consumer Attitudes, has shown moderate growth in the second quarter of this year. The consumer attitudes index jumped to 77.2 per cent from the recessionary low of 66.4 per cent in the first quarter. July's nine per cent increase of the seasonally adjusted help wanted index revealed the start of a recovery in business confidence. The 1992 first quarter interprovincial migration data boasts a small net gain of 375 persons for Ontario, the first quarterly gain in three years. Immigrants to Canada, more than half of which come to Ontario, are expected to continue to arrive at the record 250,000 persons national target level.

Migration and economic recovery will stimulate the province's housing markets in the next two years. Ontario will enjoy net interprovincial migration gains as labour markets improve relative to elsewhere in Canada. In combination with strong international immigration, the net migration flow to Ontario will rise significantly by the end of 1993. Ontario's employment will grow for the remainder of 1992, supported by economic growth in the United States and the accompanying pro-cyclical growth of the manufacturing sector. However, earlier monthly employment declines

will leave the average annual employment level 0.7 per cent lower. In contrast to this year's employment decline, strong labour productivity gains will lift real GDP by 1.4 per cent. Labour force growth, resulting from the re-entry of previously discouraged workers and net Ontario migration gains, will keep unemployment high during the recovery stage of the economic cycle.

### Move-up Market to Strengthen in 1993

Residential home starts are expected to finish the year 11.8 per cent higher than in 1991. Starts will accelerate with a further 17.8 per cent increase during the expansion of the Ontario economy in 1993. Condominium unit construction, predicted to total only 3,520 in 1992, will be kept down by investor owned units on the resale market and a persistent supply of newly completed and unoccupied units. Modestly priced row condominium starts are expected to pick up in response to the demand for affordable housing. Ontario multiple unit home construction in 1992 is driven by large numbers of socially assisted rental starts, but current assisted housing commitment patterns indicate that assisted rental starts will be lower next year. With an anticipated level of 30,000 this year, multiple starts will rise 13.2 per cent, slightly faster than the 10.3 per cent increase expected in single-detached home starts.

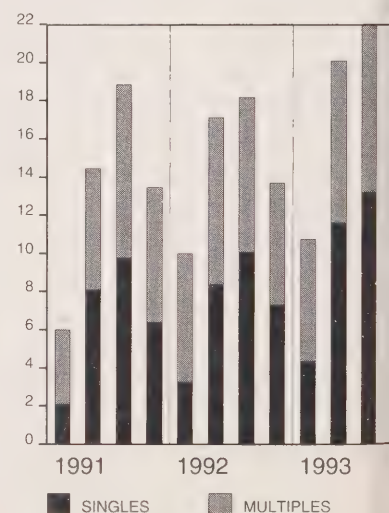
A small increase of multiple unit starts to 30,500 is expected next year, when a modest rise of condominium units will partially offset a reduction of assisted rental construction. Continued tenure shifts to the more affordable ownership market, along with slow employment growth and doubling-up in the prime renting 15 to 24 year age group, will act to keep the vacancy rates high through 1993 in most of Ontario CMAs. The weak renter demand will keep private rental

construction low. Single-detached home starts will accelerate in 1993, driven by growing employment levels and a spill-over of sales activity from a more active resale market. Next year's single family home starts will rise by 34.5 per cent when baby boom move-up buyers re-enter the housing market, in search of the more expensive, newly constructed, single-detached form of housing.

Average new house price indices are predicted to go down in Hamilton, Kitchener, St. Catharines and Toronto this year. All these cities are situated around Lake Ontario's recession ravaged "Golden Horseshoe". Next year new house price indices are forecast to rise in all of the province's CMAs, with the highest increases predicted in cities furthest from Toronto.

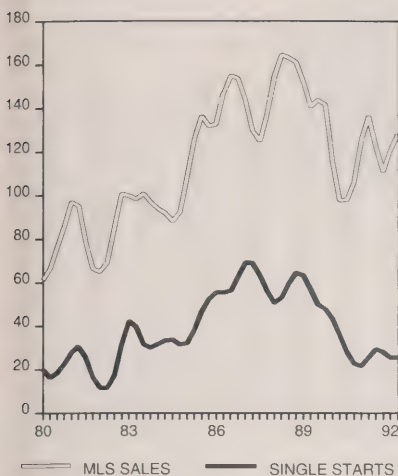
MLS sales of existing Ontario homes will grow 3.1 per cent to 130,000 in 1992 under the influence of low interest rates, the lower five per cent minimum down payment, and the rush to access RRSP funds for home ownership before the March 1st deadline. Ontario's monthly average MLS price is anticipated to rise modestly for the remainder of this

**Housing Starts  
Units Thousands (Qtrly)  
ONTARIO**



SOURCE: CMHC.  
1992-93 Forecast.

**MLS\* Sales and  
Single Housing Starts  
(Units Thousands)  
ONTARIO**



SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

**Key Provincial Indicators  
Ontario**

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-1.5	1.4	4.0
Employment (% Change)	-3.4	-0.7	2.5
Unemployment Rate (%)	9.6	10.7	10.2
Housing Starts (Units)			
Total	52794	59000	69500
Singles	26290	29000	39000
Multiples	26504	30000	30500
MLS* Sales (Units)	126143	130000	138000
Average MLS* Price (Dollars)	173723	166000	170500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

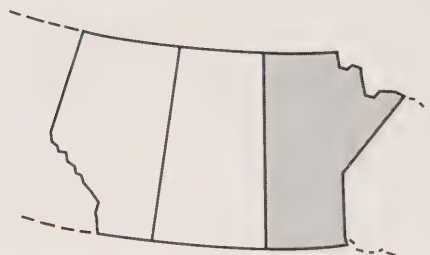
\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

year, but this year's annual average of \$166,000 will be 4.4 per cent lower than last year. The average MLS price is expected to rise 2.7 per cent in 1993 and MLS sales are anticipated to increase a further 6.2 per cent as

employment gains solidify and as Ontario's housing markets confront the high net migration levels. ■



# Manitoba



by Richard Goatcher

## Highlights

- A slow economic recovery this year gathers momentum into 1993.
- Housing starts increase in 1992 for the first time in five years.
- Apartment vacancies in Winnipeg will drop below five per cent in 1993.

## Housing Markets Improve in 1992

Improved affordability and 95 per cent mortgages for first-time buyers strengthened demand in Manitoba's new and existing residential markets in the first half of 1992. However, continued job losses, weak consumer confidence and little improvement in homeowner equity positions combined to prevent a stronger recovery.

New house construction increased 30 per cent in the first six months, with most of the growth occurring in the urban areas. Activity in rural areas was notably weaker due to lingering concerns about the health of the agricultural economy. Resale activity experienced a strong resurgence in the first half, as largely stable prices and lower financing costs lured increased numbers of first-time buyers into the market.

Vacancies in Winnipeg's private apartments declined in early 1992 due to a modest recovery in demand and continued low levels of new apartment construction. Apartment vacancy rates fell to 5.9 per cent in April, down from 6.6 per cent in October 1991.

## 1992-93 Outlook

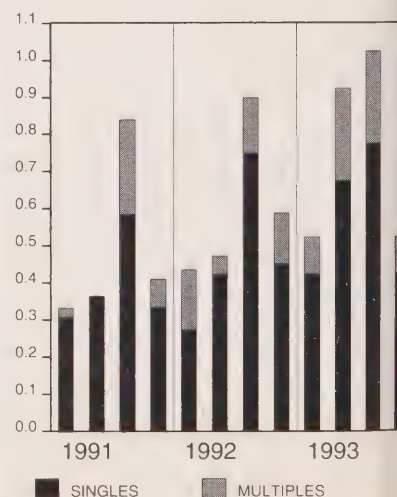
### Economic Recovery Disappointing to Mid-year

The economic recovery expected in Manitoba during the second quarter of 1992 has been muted by weak consumer and business confidence and a slower than anticipated recovery in the rest of Canada and the United States. Employment gains associated with the 1992 recovery have yet to appear, with job levels down in the first six months versus the same period last year. In 1992, total employment will fall slightly, with gains in goods-producing industries countered by losses in the service sector. Real GDP in Manitoba declined in 1991 and will recover by 1.2 per cent this year due to a stronger manufacturing sector. In 1993, economic growth will increase by 3.0 per cent as exports improve along with domestic demand. Population growth will remain modest in both years due to continued, albeit lower, levels of net out-migration.

Stronger commodity prices and increased exports will improve

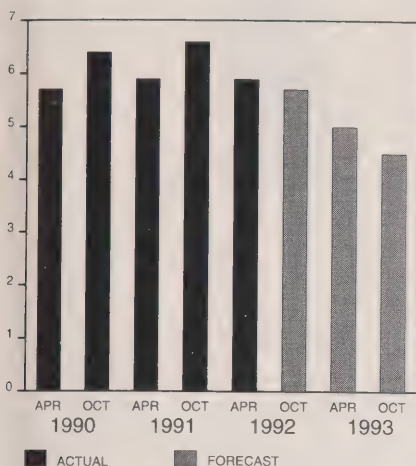
economic growth in the second half of this year but increases in real incomes and jobs will not be evident until 1993. There were more layoffs recently as firms struggle to remain competitive. Reduced world stocks of wheat will drive up prices and farm incomes in 1992/93. These benefits will be moderated by a decline in output associated with poorer growing conditions this year. Goods-producing industries such as manufacturing, construction and wood products will experience stronger employment growth in 1992 and 1993 due to rising consumer demand and increased exports. Mineral production should recover in 1993. Utilities output will increase

**Housing Starts**  
Units Thousands (Qtrly)  
**MANITOBA**



SOURCE: CMHC.  
1992-93 Forecast.

# Winnipeg Vacancy Rate (3 Units or more, privately initiated) Per Cent



SOURCE: CMHC.

this year as the final units of the Lime-stone project are brought on-stream. Site preparations for the massive Con-wapa generating project will produce construction jobs in northern Manitoba in 1993/94. However, planned expenditures by REPAP in The Pas are doubtful due to the con-tinued weak outlook for the pulp and paper industry.

While construction employment will benefit from stronger housing demand and a major upgrade of the Flin Flon smelter, overall weakness in non-residential activity will largely offset these gains. Poor consumer and business confidence will undermine job prospects in the service sector this year. Retailing was hard hit in 1991 and will fail to make up the lost ground this year. Transportation employment will continue to drop in 1992 due to job losses in airline, rail and trucking in Winnipeg. Govern-ment will be a net drag on the economy into 1993 due to the down-sizing of activities at the Canadian Forces Base in Portage La Prairie.

## Stronger Housing Demand Into 1993

Resale markets in Manitoba's urban centres will end 1992 with sales well above last year's levels, due to im-proved affordability and 95 per cent financing for first-time buyers. Residential construction will also strengthen due to lower mortgage rates and largely stable prices, but weak employment and modest in-come growth will moderate demand, particularly in the rural areas. Hous-ing starts will increase by 23 per cent in 1992 to 2,400 units. New house sales have been weak in the past few years, partially due to equity erosion in the resale markets. More balanced market conditions and stronger resale prices should increase new construc-tion in 1993. A stronger economy, in-creased jobs and rising consumer optimism will add to the improved demand for new homes. New house prices will remain fairly stable this year but should experience modest gains in 1993. Multiple unit activity will remain weak this year and in 1993 due to high apartment vacancy rates in Winnipeg and only modest improvements in existing con-dominium prices.

With first-time buyers leading the resale market rally, expanded sales will not produce higher average prices in 1992. Sales in the province's four MLS boards will increase by over 10 per cent this year, but average residential resale prices will remain unchanged near \$81,000. In 1993, more balanced markets will gradually shift the advantage away from buyers, supporting price increases. MLS residential sales will reach the 11,000 mark next year, with average prices up by 2.5 per cent. After improving for the past two years, affordability for first-time buyers will decline slightly in 1993 due to rising prices and higher financing costs.

Apartment vacancies in Winnipeg reached a record high of 6.6 per cent in October 1991, but should experi-ence gradual declines throughout 1992 and 1993 due to stronger demand and few apartment comple-tions. Improvement will be moder-ated by the increased movement of renters into homeownership this year, but declining affordability in 1993 will reduce these losses. Apartment vacancies will fall below five per cent in 1993, with balanced rental markets occurring in a number of suburban communities. ■

### Key Provincial Indicators Manitoba

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-3.3	1.2	3.0
Employment (% Change)	-2.3	-0.4	1.4
Unemployment Rate (%)	8.8	9.4	9.1
Housing Starts (Units)			
Total	1950	2400	3000
Singles	1589	1900	2300
Multiples	361	500	700
MLS* Sales (Units)	9521	10500	11000
Average MLS* Price (Dollars)	80445	81000	83000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

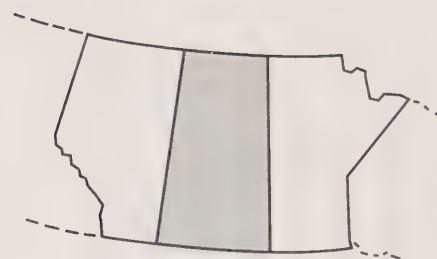
(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



# Saskatchewan

by Paul Caton and Bruce McDonald



## Highlights

- Housing markets are recovering.
- The industry should continue to operate at a similar level of activity in 1993.

## Stronger Housing Markets in First Half of 1992

In the first half of 1992, Saskatchewan housing markets recovered from the worst conditions ever seen in the province since CMHC began recording activity.

Regina led the province out of the housing slump. The provincial capital recorded more new single-family housing starts than all other cities in the province combined. The relocation of two major firms from Ontario were the chief source of the upturn. Households moving to Regina, as well as first-time home buyers, increased demand in the resale market and allowed existing home owners to sell and move up into newly constructed homes.

Single-family housing construction has grown in almost all cities in the province in the first half of 1992. In cities such as Estevan, Moose Jaw, the Battlefords and Prince Albert, housing construction has more than doubled compared to the first six months of 1991.

According to the Canadian Real Estate Association, sales of existing houses were up more than 30 per cent in the first six months. Lower down payment requirements for first-time home buyers, low mortgage rates and access to RRSP funds for home purchases have all helped to increase sales.

The average resale price in the province fell slightly. The first-time home buyer, who made up a large part of the market in the first half of the year, typically bought less expensive housing. More recent sales statistics, however, indicate average sale prices are beginning to increase as demand grows for more expensive houses.

## 1992-93 Outlook

### Residential Construction Leads Growth

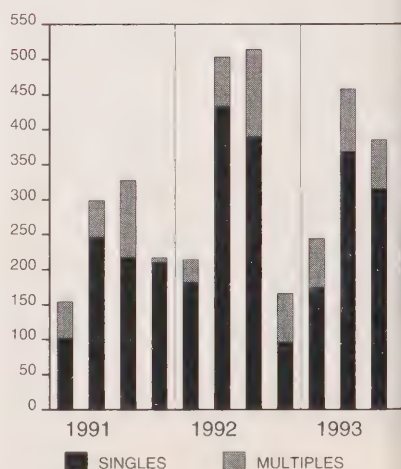
Saskatchewan's economy will grow by one per cent in 1992 and 2.5 per cent in 1993 after declining 0.3 per cent in 1991. Leading the growth in 1992 will be gains in residential construction, manufacturing and agriculture. In addition, Farm Credit Corporation and Crown Life Insurance will relocate from Ontario to Regina in 1992. In 1993, continued growth in manufacturing output and increased consumer spending will boost the economy further.

Low interest rates have resulted in increased residential construction in many centres of the province in 1992.

In 1993, relatively low interest rates will maintain activity in the residential construction industry and will also lead to higher consumer and business spending. Although residential construction is improving, non-residential construction will fall as many projects will be completed in 1992. Offsetting the loss will be an increase in manufacturing output in late 1992 and into 1993. The newly constructed Saskferco Fertilizer Plant, Millar Western Pulp Mill, and Lloydminster Heavy Oil Upgrader will all be in full operation by the end of 1992.

Despite relatively weak market prices for grains, program payments to farmers are expected to be larger than they were last year. Agriculture Canada

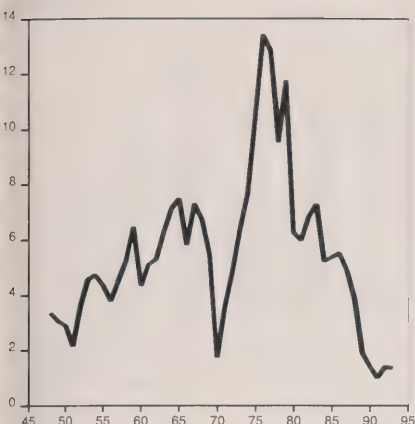
### Housing Starts Units Thousands (Qtrly) SASKATCHEWAN



SOURCE: CMHC.  
1992-93 Forecast.



## Housing Starts Units Thousands SASKATCHEWAN



SOURCE: CMHC.  
1992-93 Forecast.

forecasts net realized farm income in Saskatchewan to increase by almost 50 per cent this year. The agriculture sector's future, however, will depend on the success of GATT negotiations and its impact on grain markets.

The number of jobs in Saskatchewan will hold steady in 1992 and will increase by 3,000 in 1993. The completion of major non-residential construction projects and a weak mining sector will cause the unemployment rate to rise to 7.6 per cent in 1992 from 7.4 per cent in 1991. However, in 1993 new major employers will be in full operation, which will help lower the unemployment rate to 7.2 per cent.

Net out-migration from Saskatchewan responds to relative economic conditions in other provinces. In 1992, net out-migration is forecast to fall slightly to 8,100 from 8,200 in 1991 as nearby provincial economies remain relatively weak. No change in the level of net out-migration is expected in 1993 as new employment opportunities in the province will cause potential out-migrants to stay.

## Continued Improvement

Housing markets in Saskatchewan will improve significantly in 1992 and 1993 compared to the poor perfor-

mance experienced in 1991. Starts are forecast to reach 1,400 and 1,350 units in 1992 and 1993 respectively after only 998 units in 1991.

Most demand for new housing will come from households purchasing larger dwellings and empty-nesters and seniors buying condominiums. In many cases, these buyers are using equity gained from the sale of their existing houses. Some demand will come from rural households moving into the city. Regina will be the leader in both 1992 and 1993 as a result of relocations scheduled to take place throughout these two years. Gains to prices of new homes, however, will be limited as builders have to compete with an abundant supply of lower priced homes in the resale market.

Demand for housing will be limited by population growth in 1992 and 1993. Current rates of net out-migration from the province are almost equal to the natural increase in population. As a result, the population will remain the same and growth in the number of households will be small.

First-time home buyers will help increase sales volumes by 15 per cent in 1992 compared to 1991. Sales will decline by five per cent in 1993 as the market returns to normal levels of ac-

tivity. The number of homes listed on the resale market has been high in recent years. However, most resale markets in Saskatchewan will be classified as "Balanced Markets" as the surplus of listings are absorbed.

The average price of resale homes will increase by two per cent in 1992 as a large part of the market in the first half of the year was comprised of the first-time home buyer purchasing less expensive homes. Of course, average prices will increase in more popular neighbourhoods as scarcities of certain types of houses develop. In 1993, prices are forecast to increase three per cent as a greater proportion of higher priced homes are sold.

The conditions which favoured first-time home buyers in the first half of the year have meant more renters than anticipated have bought their first home. Vacancies, however, are expected to decline in 1992 and 1993 as new households are formed and no new rental accommodation is built. Under current rental market conditions, new private rental construction is not economically viable in all Saskatchewan centres. A surplus of rental accommodation throughout the province will deter rent increases in 1992 and 1993. ■

## Key Provincial Indicators Saskatchewan

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.3	1.0	2.5
Employment (% Change)	-0.1	0.0	0.7
Unemployment Rate (%)	7.4	7.6	7.2
Housing Starts (Units)			
Total	998	1400	1350
Singles	775	1100	1050
Multiples	223	300	300
MLS* Sales (Units)	6505	7500	7100
Average MLS* Price (Dollars)	67697	69000	71000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

# Alberta

by Laurie Scott and David Peever

## Highlights:

- Strong demand for starter homes in 1992.
- Move-up market to strengthen in 1993.
- High rental vacancies to persist.

## Promising Beginning for 1992

Alberta housing markets strengthened considerably during the first half of 1992. New residential construction rose 48 per cent above 1991's depressed levels, while resale volumes were 10 per cent higher. Key factors behind this improvement were the dramatic declines in residential mortgage rates and the introduction of 95 per cent financing. In the context of a relatively affordable housing supply, these developments set the stage for an impressive surge into home ownership which began in the first quarter and accelerated through the second. While the starter market was initially the focus of sales of both new and existing homes, by the end of the second quarter a trend toward more expensive "move-up" housing had emerged, expanding the demand for new homes.

The trend toward ownership, combined with weaker migration, has dramatically affected vacancy rates.

CMHC's April Rental Market Survey revealed higher vacancy rates in virtually every city, including a five-year high of 5.2 per cent in Calgary. High rates will continue well into 1993, slowing new rental construction and holding rent increases to modest levels.

## 1992-93 Outlook

### Housing: a Bright Spot

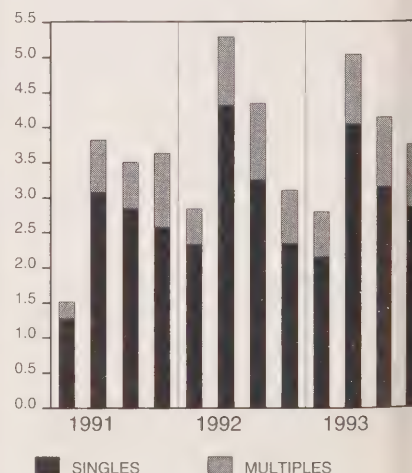
Few economic indicators have shone as brightly as residential construction in 1992. The provincial economy was sustained through the national recession by business investment in projects such as the Lloydminster heavy-oil upgrader, the Caroline sour gas plant, and the Athabasca paper mill. As some of the energy projects are completed, employment in non-residential construction will be supported by additional forestry developments enhancing the employment outlook for 1993.

Growth prospects are poor for the energy sector, the traditional mainstay of the provincial economy. Notwithstanding modest price gains during the second quarter, declining production potential of top-quality light crude oil has undermined revenue gains. The decline in natural gas prices has continued, reducing the benefit of increased export volumes resulting from pipeline expansion. Through the forecast period, provin-

cial employment growth will instead be supported by the trade and service sectors.

A shallower recession in Alberta than elsewhere suggests that the recovery is likely to be less dramatic. Weak employment growth in Alberta meant reduced levels of in-migration. Following negligible employment gains in 1992, a strengthening economy will lead to employment growth of 1.6 per cent in 1993. This in turn will allow for a marginal improvement in the unemployment rate. Lackluster employment expansion and a slower pace of in-migration will lead to reduced growth in housing demand.

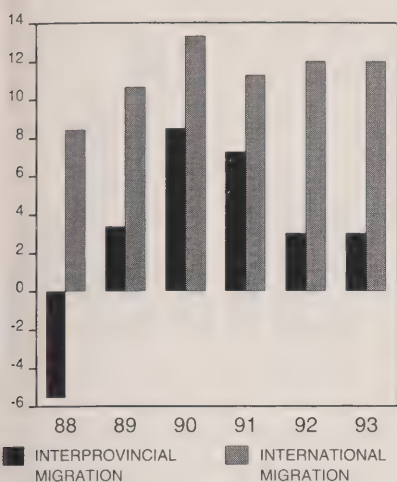
**Housing Starts**  
Units Thousands (Qtrly)  
**ALBERTA**



SOURCE: CMHC.  
1992-93 Forecast.



## Interprovincial and International Migration (Thousands of Persons) ALBERTA



SOURCE: Alberta Treasury, Bureau of Statistics.  
1992-93 CMHC Forecast.

## Stable New Construction in 1993

The market for new starter homes is expected to remain active during the balance of 1992. The focus, however, will continue to shift to new homes in middle price ranges, as sellers of resale starter homes move up. This trend is expected to continue into 1993.

The fact that starts increased dramatically in 1992 while economic and employment growth were depressed is in part a result of pent-up demand for home ownership. Given highly affordable housing and the lowest interest rates ever encountered during the adult lives of the "baby boom" generation, many households, a number of which had been renters,

opted to purchase a home. With much of this pent-up demand exercised in 1992, little growth in new construction is foreseen in 1993 despite an outlook of stronger economic growth.

## Resale Markets Remain Affordable

Despite strong sales volumes, the average MLS price has shown little growth over last year. While price growth has been noted in some segments, such as starter homes, resale markets in Alberta remain affordable overall. Credit is due in part to a relatively high level of active listings over the past two years.

Nevertheless, a slight decline in provincial resale volumes is expected in 1993. The concentration of affordable housing in existing homes meant that the resale market was well

placed to benefit from the strong demand for starter homes in 1992. The greater emphasis on move-up housing in 1993 will result in a slightly larger share of housing demand being met in the new-home rather than the existing-home market.

## Renters to Hold Upper Hand

With weaker in-migration and a continuing trend in favour of homeownership, Alberta landlords will continue to face high vacancy rates through 1993. Rent increases are therefore not expected to exceed inflation, in turn discouraging new rental construction. Multi-family construction will continue to be directed toward the condominium market. ■

## Key Provincial Indicators Alberta

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	-0.5	2.0	3.5
Employment (% Change)	1.2	0.3	1.6
Unemployment Rate (%)	8.2	9.4	9.3
Housing Starts (Units)			
Total	12492	15600	15750
Singles	9778	12250	12200
Multiples	2714	3350	3550
MLS* Sales (Units)	34360	37000	36000
Average MLS* Price (Dollars)	111482	114500	118750

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.



# British Columbia



by Helmut Pastrick

## Highlights

- Higher prices in the second quarter due to constraints on production and strong sales activity.
- Economy gathers momentum in 1993 and in-migration remains high.
- Moderately higher starts and sales volumes but much higher prices expected.

## Higher Prices in Second Quarter

There were more indications of supply constraints affecting production, which in the face of strong demand, was causing prices to rise quickly. Single-family lot supply constraints in the two metropolitan areas were particularly evident. According to Statistics Canada, land prices were up seven to ten per cent since the beginning of the year. Another constraint was a reduction in the availability and ease of funds for the financing of multiples projects. Lenders have stiffened and tightened requirements. Housing starts dropped in the second quarter while newly completed and unsold inventory went down and prices climbed.

Housing resales edged up in the second quarter from a very strong first quarter which was consistent with rising consumer confidence and lower mortgage rates. House prices rose to a record high in April according to MLS data. The temporary run-up in mortgage rates in March briefly affected the sales trend in April. Sales resumed their upward trend in May which implies higher prices in the near future.

The rental market softened due to the exit of some renters to the ownership market and to lower employment. The vacancy rate was up and rent increases fell to the inflation rate. Rental production was fairly steady but at a low level.

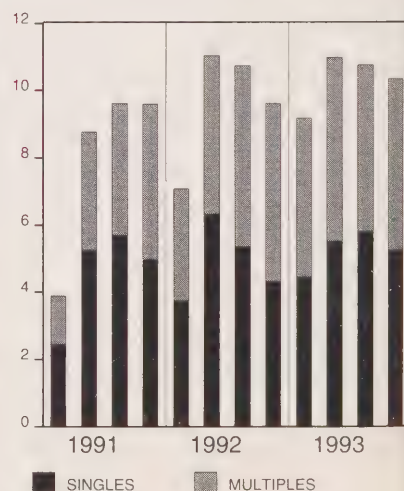
## 1992-93 Outlook

### Stronger Economy and High Population Growth

The B.C. economy is forecast to grow more vigorously in 1993 following a quite moderate performance in 1992. Exports are expected to pick up which will be led by lumber and followed by the other forest products. Tourism is also expected to be more active as the U.S. economy picks up. Non-residential investment will be weak in 1992 but it should grow modestly in 1993 as economic growth reduces excess capacity. The in-

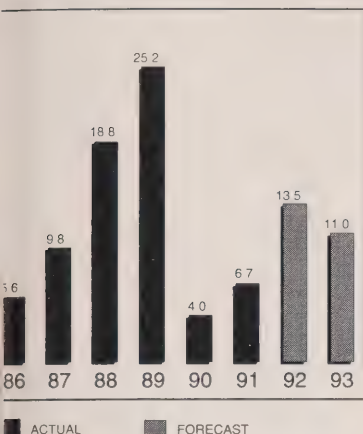
dustrial and commercial markets are quite stagnant at present but they will very likely improve in 1993. Consumer spending will begin to pick up as confidence is rebuilt which will be evident in the interest rate sensitive sectors such as housing. Stronger external demand and low interest rates will propel the economy in 1993. Employment growth will follow economic growth but by a lower rate. Productivity gains are being sought by employers which will limit hiring. Employment growth is forecast to be less than two per cent in 1992 and three per cent in 1993. Unemployment rates are expected to remain

**Housing Starts**  
Units Thousands (Qtrly)  
**BRITISH COLUMBIA**



SOURCE: CMHC.  
1992-93 Forecast.

## Average Residential MLS\* Price % Change BRITISH COLUMBIA



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

near 11 per cent since labour force growth will remain high. The labour force has expanded due to high immigration.

Population growth is an important factor driving housing demand in B.C. High levels of in-migration prevail and this is forecast to continue in 1993 as well. Interprovincial migration to B.C. subsided last year and this is forecast to continue in 1993. However, international migration is expected to increase which will partially offset this loss. Net migration levels around 60,000 annually are anticipated.

## More Activity Expected in 1993

Housing sales (MLS) and housing starts will be pulled higher in 1993 due to low mortgage rates, high population growth, rising consumer confidence, and a stronger economy. It is rare to have all these factors positive at the same time. However, consumer confidence is starting from a low base and the economy will not be generating strong job growth this year or next. This will hold back housing demand to some extent.

The current housing starts cycle recovery phase will likely be longer than the average of ten quarters. The national economy is relatively weak which means that inflation and interest rates will not be rising rapidly in the next year or so. Employment growth in B.C. will be below average during this recovery. Also, production constraints appeared much sooner in this upswing. Thus, the housing cycle peak will likely occur later than 1993 as was previously expected. Housing starts forecasts have been revised down but the price forecasts were revised up.

The existing housing market is expected to see high sales volume and considerable price increases. MLS sales volume is forecast to grow about five per cent per year. The first half of 1993 will likely be stronger than the second half, partly due to the expiration of the RRSP tax-free withdrawal provision. Price increases are forecast to be well above the inflation rate since new production is limited and demand is high.

Housing starts are forecast to rise in 1992 to 38,500 units from 31,875 units last year. Starts will likely pick up moderately in the second half following a slower second quarter pace. Starts are forecast to increase slightly

in 1993 to 41,400 units. Production constraints will limit starts and cause higher prices.

The multiples sector is expected to capture more of the market in 1993. In the two metropolitan areas of B.C., the lot supply for houses will tend to put a limit on their production. As a result, there will be a growing demand for small lot single-family housing and townhouse land as well as for medium density apartment land. Multiples starts will be favoured in this environment.

Condominium starts are forecast to grow to 13,450 units in 1992, more than 50 per cent from last year. A much smaller gain is expected in 1993 since financing constraints will likely continue. Townhouse condominiums are in strong demand. High-rise condominium starts will continue to be at modest rates during 1992 as some unsold inventory gets sold off. This market will probably see a resurgence in 1993 however. Some large sites in Vancouver, such as the former Expo lands and Coal Harbour, will commence construction in 1993.

The rental vacancy rate is forecast to decline slowly through the forecast period. ■

## Key Provincial Indicators British Columbia

	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
Real GDP (% Change)	0.5	2.5	4.0
Employment (% Change)	1.4	1.3	2.4
Unemployment Rate (%)	9.9	10.8	10.7
Housing Starts (Units)			
Total	31875	38500	41400
Singles	18335	19750	21000
Multiples	13540	18750	20400
MLS* Sales (Units)	84554	88800	93000
Average MLS* Price (Dollars)	168235	191000	212000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

## Housing Starts

**Total**  
(units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2682	3168	3536	3245	2836	2300	2500
%	-7.0	18.1	11.6	-8.2	-12.6	-18.9	8.7
PEI	933	1151	815	762	553	635	650
%	-15.9	23.4	-29.2	-6.5	-27.4	14.8	2.4
NS	6460	5478	5359	5560	5173	4000	4800
%	-14.7	-15.2	-2.2	3.8	-7.0	-22.7	20.0
NB	3716	3621	3681	2683	2872	3200	3400
%	-8.1	-2.6	1.7	-27.1	7.0	11.4	6.3
QUE	74179	58062	49058	48070	44654	39900	44500
%	22.9	-21.7	-15.5	-2.0	-7.1	-10.6	11.5
ONT	105213	99924	93337	62649	52794	59000	69500
%	29.1	-5.0	-6.6	-32.9	-15.7	11.8	17.8
MAN	8174	5455	4084	3297	1950	2400	3000
%	6.2	-33.3	-25.1	-19.3	-40.9	23.1	25.0
SASK	4895	3856	1906	1417	998	1400	1350
%	-11.2	-21.2	-50.6	-25.7	-29.6	40.3	-3.6
ALTA	10790	11360	14712	17227	12492	15600	15750
%	27.5	5.3	29.5	17.1	-27.5	24.9	1.0
BC	28944	30487	38894	36720	31875	38500	41400
%	39.9	5.3	27.6	-5.6	-13.2	20.8	7.5
CAN	245986	222562	215382	181630	156197	*167000	*187000
%	23.1	-9.5	-3.2	-15.7	-14.0	6.9	12.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2530	2839	2932	2468	2135	1600	1750
%	-3.7	12.2	3.3	-15.8	-13.5	-25.1	9.4
PEI	699	704	456	483	376	460	500
%	-10.7	0.7	-35.2	5.9	-22.2	22.3	8.7
NS	4120	3867	3361	3639	2604	2900	3300
%	-9.5	-6.1	-13.1	8.3	-28.4	11.4	13.8
NB	2957	2953	2909	2137	2154	2500	2800
%	-8.6	-0.1	-1.5	-26.5	0.8	16.1	12.0
QUE	31430	27724	24493	24942	22531	20000	24800
%	32.7	-11.8	-11.7	1.8	-9.7	-11.2	24.0
ONT	64929	57099	53511	32425	26290	29000	39000
%	15.0	-12.1	-6.3	-39.4	-18.9	10.3	34.5
MAN	4631	3601	2966	2847	1589	1900	2300
%	-3.3	-22.2	-17.6	-4.0	-44.2	19.6	21.1
SASK	2995	2246	1383	1087	775	1100	1050
%	-20.6	-25.0	-38.4	-21.4	-28.7	41.9	-4.5
ALTA	9495	9671	12345	13809	9778	12250	12200
%	32.9	1.9	27.6	11.9	-29.2	25.3	-0.4
BC	16353	17761	21612	18478	18335	19750	21000
%	26.1	8.6	21.7	-14.5	-0.8	7.7	6.3
CAN	140139	128465	125968	102315	86567	*91500	*109000
%	16.8	-8.3	-1.9	-18.8	-15.4	5.7	19.1

### Multiples (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	152	329	604	777	701	700	750
%	-40.6	116.4	83.6	28.6	-9.8	-0.1	7.1
PEI	234	447	359	279	177	175	150
%	-28.4	91.0	-19.7	-22.3	-36.6	-1.1	-14.3
NS	2340	1611	1998	1921	2569	1100	1500
%	-22.5	-31.2	24.0	-3.9	33.7	-57.2	36.4
NB	759	668	772	546	718	700	600
%	-6.4	-12.0	15.6	-29.3	31.5	-2.5	-14.3
QUE	42749	30338	24565	23128	22123	19900	19700
%	16.6	-29.0	-19.0	-5.8	-4.3	-10.0	-1.0
ONT	40284	42825	39826	30224	26504	30000	30500
%	61.0	6.3	-7.0	-24.1	-12.3	13.2	1.7
MAN	3543	1854	1118	450	361	500	700
%	21.8	-47.7	-39.7	-59.7	-19.8	38.5	40.0
SASK	1900	1610	523	330	223	300	300
%	9.2	-15.3	-67.5	-36.9	-32.4	34.5	0.0
ALTA	1295	1689	2367	3418	2714	3350	3550
%	-1.6	30.4	40.1	44.4	-20.6	23.4	6.0
BC	12591	12726	17282	18242	13540	18750	20400
%	63.1	1.1	35.8	5.6	-25.8	38.5	8.8
CAN	105847	94097	89414	79315	69630	*75500	*78000
%	32.7	-11.1	-5.0	-11.3	-12.2	8.4	3.3

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Detail of Multiple Starts (units)

	Private Rental Row/Apt	Assisted Rental Row/Apt	Total Rental Row/Apt	Condo Row/Apt	Other Semi/ Row/Free	TOTAL
NFLD						
1991	50	177	227	0	474	701
1992	116	204	320	0	380	700
1993	74	148	222	40	488	750
PEI						
1991	101	45	146	0	31	177
1992	72	49	121	0	54	175
1993	80	40	120	0	30	150
NS						
1991	2092	156	2248	70	251	2569
1992	531	242	773	19	308	1100
1993	904	150	1054	26	420	1500
NB						
1991	431	113	544	28	146	718
1992	510	120	630	20	50	700
1993	370	120	490	50	60	600
QUE						
1991	8036	1100	9136	4863	8124	22123
1992	6600	900	7500	5000	7400	19900
1993	9000	1000	10000	5000	4700	19700
ONT						
1991	5407	12400	17807	4198	4499	26504
1992	4810	15900	20710	3520	5770	30000
1993	5640	11620	17260	6780	6460	30500
MAN						
1991	123	62	185	162	14	361
1992	100	230	330	140	30	500
1993	220	240	460	200	40	700
SASK						
1991	12	42	54	81	88	223
1992	0	75	75	160	65	300
1993	20	75	95	150	55	300
ALTA						
1991	500	200	700	1614	400	2714
1992	500	200	700	1950	700	3350
1993	550	150	700	1950	900	3550
BC						
1991	2850	1249	4099	8267	1174	13540
1992	2700	1100	3800	13450	1500	18750
1993	2500	1100	3600	15100	1700	20400
CAN						
1991	19602	15544	35146	19283	15201	69630
1992	15939	19020	34959	24259	16257	*75500
1993	19358	14643	34001	29296	14853	*78000

SOURCE: CMHC.

1991 Actual, 1992-93 Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
ST. JOHN'S	5.0	2.3	5.4	3.6	7.2	0.5	1.5
HALIFAX	3.3	3.8	1.9	0.3	-0.2	1.0	1.5
SAINT JOHN	4.8	2.9	3.5	1.4	0.9	0.5	1.6
QUEBEC CITY	8.9	8.7	6.9	3.3	2.8	1.0	3.0
MONTREAL	15.0	9.6	3.3	2.7	0.7	0.0	4.0
OTTAWA	5.7	6.6	5.7	3.9	-0.4	1.0	3.0
TORONTO	26.2	16.6	22.4	-3.8	-15.1	-4.2	2.1
HAMILTON	16.8	11.6	8.4	2.3	-5.9	-2.2	1.5
ST. CATHARINES	12.5	6.6	8.4	6.9	-3.5	-1.6	1.1
KITCHENER	14.4	9.0	10.3	2.0	-7.8	-2.2	1.6
LONDON	16.1	7.8	9.8	5.7	0.6	0.5	3.0
WINDSOR	6.7	5.2	8.9	4.4	0.0	0.0	2.6
SUDBURY- THUNDER BAY	..	..	6.5	5.6	0.4	2.6	3.7
WINNIPEG	5.9	1.1	-0.5	1.9	-0.1	0.5	1.5
REGINA	3.6	1.5	1.6	1.9	2.3	1.5	1.5
SASKATOON	4.2	1.8	0.8	0.7	-0.8	0.5	1.0
CALGARY	3.9	8.8	7.2	12.5	-2.7	0.3	2.3
EDMONTON	4.2	5.1	8.3	15.9	2.3	1.8	2.8
VANCOUVER	4.5	5.2	15.7	5.7	-7.1	7.8	9.7
VICTORIA	-2.3	7.3	9.9	7.0	-1.5	8.6	10.1
CANADA	13.8	10.4	13.2	1.4	-6.9	-0.5	3.6

SOURCE: Statistics Canada.

.. Figures not available.

(F) Forecast by CMHC.

\* Includes both house and land components.



## MLS\* Activity

### Total Residential Sales (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	1906	2217	2040	1998	1892	1900	2000
%	3.3	16.3	-8.0	-2.1	-5.3	0.4	5.3
PEI	507	505	626	742	764	700	740
%	8.6	-0.4	24.0	18.5	3.0	-8.4	5.7
NS	5903	5734	5863	6072	5811	6300	6500
%	-3.2	-2.9	2.2	3.6	-4.3	8.4	3.2
NB	2948	3518	3490	3316	3259	3250	3500
%	9.7	19.3	-0.8	-5.0	-1.7	-0.3	7.7
QUE	29909	30503	30618	28067	27981	30200	34800
%	2.4	2.0	0.4	-8.3	-0.3	7.9	15.2
ONT	134370	160578	142914	102792	126143	130000	138000
%	-6.7	19.5	-11.0	-28.1	22.7	3.1	6.2
MAN	12367	11129	10375	9356	9521	10500	11000
%	3.5	-10.0	-6.8	-9.8	1.8	10.3	4.8
SASK	7875	7301	6850	6405	6505	7500	7100
%	-4.1	-7.3	-6.2	-6.5	1.6	15.3	-5.3
ALTA	27632	30368	36249	33085	34360	37000	36000
%	16.6	9.9	19.4	-8.7	3.9	7.7	-2.7
BC	56376	67460	83562	58027	84554	88800	93000
%	22.2	19.7	23.9	-30.6	45.7	5.0	4.7
CAN***	279793	319313	322587	249860	300790	**316000	**333000
%	2.0	14.1	1.0	-22.5	20.4	5.1	5.4

### Average Residential Price (dollars and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	73416	76828	83284	88654	90822	90000	92000
%	6.0	4.6	8.4	6.4	2.4	-0.9	2.2
PEI	58850	65463	74168	69283	71033	71000	73000
%	8.1	11.2	13.3	-6.6	2.5	0.0	2.8
NS	78885	79591	82328	84650	86462	90000	94000
%	5.3	0.9	3.4	2.8	2.1	4.1	4.4
NB	67632	72101	75848	77752	80897	84250	87000
%	5.7	6.6	5.2	2.5	4.0	4.1	3.3
QUE	86003	95367	100517	100811	102840	104000	107000
%	15.4	10.9	5.4	0.3	2.0	1.1	2.9
ONT	135656	161270	184605	175859	173723	166000	170500
%	25.4	18.9	14.5	-4.7	-1.2	-4.4	2.7
MAN	77031	80427	82401	79961	80445	81000	83000
%	9.8	4.4	2.5	-3.0	0.6	0.7	2.5
SASK	65811	68355	70417	68963	67697	69000	71000
%	3.2	3.9	3.0	-2.1	-1.8	1.9	2.9
ALTA	83905	89554	98542	108675	111482	114500	118750
%	6.8	6.7	10.0	10.3	2.6	2.7	3.7
BC	101916	121040	151504	157616	168235	191000	212000
%	9.8	18.8	25.2	4.0	6.7	13.5	11.0
CAN***	111404	131526	148776	143432	149757	**153000	**162000
%	17.3	18.1	13.1	-3.6	4.4	2.2	5.9

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* Total does not add due to rounding.

\*\*\* Excludes Yukon and Northwest Territories.

## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1991		1992		1993	
		APR	OCT	APR	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	48475	4.1	3.7	5.2	5.5	5.0	3.8
CHICOUTIMI- JONQUIÈRE	8240	4.8	5.7	4.8	5.1	4.4	4.6
EDMONTON	68233	3.5	2.3	3.8	4.0	4.2	3.0
HALIFAX	27052	4.1	4.8	5.5	6.1	5.3	5.1
HAMILTON	43322	1.5	1.6	2.4	2.8	2.5	2.0
KITCHENER	26422	4.7	4.3	4.2	4.2	3.7	3.5
LONDON	40068	4.1	3.9	4.1	4.0	3.6	3.1
MONTREAL	461637	5.3	7.2	6.4	8.2	7.1	7.5
OSHAWA	10787	3.7	3.4	4.4	4.8	5.0	4.8
OTTAWA	62078	1.1	0.8	1.4	1.0	1.6	1.2
HULL	17890	5.1	4.9	4.2	4.0	3.8	3.4
QUEBEC CITY	68592	4.3	5.6	5.3	6.4	5.7	5.7
REGINA	12659	5.5	5.6	5.3	5.5	6.0	5.0
ST. CATHARINES- NIAGARA	16739	2.9	2.9	2.9	3.1	3.3	3.2
SAINT JOHN	8006	4.0	4.9	5.9	5.4	5.6	5.0
ST. JOHN'S	4353	4.8	6.9	7.3	7.5	8.0	7.0
SASKATOON	17913	8.0	6.1	7.6	6.5	6.5	5.0
SHERBROOKE	23007	9.2	9.7	8.6	9.0	8.0	8.1
SUDBURY	9742	1.1	0.7	2.1	2.6	3.6	3.0
THUNDER BAY	5323	1.4	1.0	2.1	2.2	2.3	2.2
TORONTO	295075	1.6	1.8	1.9	2.1	2.3	2.2
TROIS-RIVIÈRES	15418	7.4	8.3	7.9	7.6	7.1	7.2
VANCOUVER	113947	2.3	2.2	2.8	3.0	2.7	2.3
VICTORIA	25080	1.3	0.8	2.6	1.5	2.0	1.4
WINDSOR	14212	3.9	3.3	3.6	3.0	2.7	2.4
WINNIPEG	57685	5.9	6.6	5.9	5.7	5.0	4.5
CANADA**	1501955	3.8	4.4	4.4	5.1	4.7	4.5

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in April 1992.

\*\* Weighted average of Metropolitan areas surveyed.

## Housing Completions

### Total (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2836	3220	3783	3127	3219	2174	2189
%	18.2	13.5	17.5	-17.3	2.9	-32.5	0.7
PEI	943	993	927	683	722	649	656
%	-19.8	5.3	-6.6	-26.3	5.7	-10.1	1.1
NS	6488	5793	4904	5477	4905	4855	5113
%	-14.3	-10.7	-15.3	11.7	-10.4	-1.0	5.3
NB	3944	3798	3383	2959	2858	2987	3270
%	-12.4	-3.7	-10.9	-12.5	-3.4	4.5	9.5
QUE	68949	65224	50855	52630	42720	38300	42233
%	21.0	-5.4	-22.0	3.5	-18.8	-10.3	10.3
ONT	88609	88727	99817	80562	59622	56000	61500
%	27.4	0.1	12.5	-19.3	-26.0	-6.1	9.8
MAN	7627	5621	6461	4028	2190	2200	2400
%	3.9	-26.3	14.9	-37.7	-45.6	0.5	9.1
SASK	5640	4352	2743	1575	1241	1195	1310
%	11.2	-22.8	-37.0	-42.6	-21.2	-3.7	9.6
ALTA	9334	11201	12763	17467	12959	14798	15537
%	1.8	20.0	13.9	36.9	-25.8	14.2	5.0
BC	23606	27603	31735	37655	29578	36564	37734
%	13.4	16.9	15.0	18.7	-21.5	23.6	3.2
CAN	217976	216532	217371	206163	160014	*160000	*172000
%	18.1	-0.7	0.4	-5.2	-22.4	0.0	7.5

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Completions

### Singles (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2521	2961	3217	2434	2402	1553	1559
%	13.7	17.5	8.6	-24.3	-1.3	-35.3	.4
PEI	728	678	539	391	438	413	530
%	-7.6	-6.9	-20.5	-27.5	12.0	-5.7	28.3
NS	4190	3597	3274	3473	2739	2920	3260
%	-6.4	-14.2	-9.0	6.1	-21.1	6.6	11.6
NB	3222	3111	2773	2332	2136	2286	2661
%	-1.0	-3.4	-10.9	-15.9	-8.4	7.0	16.4
QUE	29664	28980	24456	27199	21190	22000	25000
%	32.9	-2.3	-15.6	11.2	-22.1	3.8	13.6
ONT	61400	58072	54732	43130	27499	28130	33800
%	24.6	-5.4	-5.8	-21.2	-36.2	2.3	20.2
MAN	4935	3916	3263	3109	1810	1750	1800
%	17.4	-20.6	-16.7	-4.7	-41.8	-3.3	2.9
SASK	3603	2525	1523	1112	884	992	990
%	-6	-29.9	-39.7	-27.0	-20.5	12.2	-.2
ALTA	8168	9586	10956	14699	9967	11439	12033
%	1.8	17.4	14.3	34.2	-32.2	14.8	5.2
BC	14816	15785	18736	20111	16072	20157	19852
%	16.4	6.5	18.7	7.3	-20.1	25.4	-1.5
CAN	133247	129211	123469	117990	85137	*92000	*101500
%	20.1	-3.0	-4.4	-4.4	-27.8	8.1	10.3

### Multiples (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	315	259	566	693	817	621	630
%	72.1	-17.8	118.5	22.4	17.9	-24.0	1.4
PEI	215	315	388	292	284	236	126
%	-44.6	46.5	23.2	-24.7	-2.7	-16.9	-46.6
NS	2298	2196	1630	2004	2166	1935	1853
%	-25.8	-4.4	-25.8	22.9	8.1	-10.7	-4.2
NB	722	687	610	627	722	701	609
%	-42.2	-4.8	-11.2	2.8	15.2	-2.9	-13.1
QUE	39285	36244	26399	25431	21530	16300	17233
%	13.3	-7.7	-27.2	-3.7	-15.3	-24.3	5.7
ONT	27209	30655	45085	37432	32123	27870	27700
%	34.0	12.7	47.1	-17.0	-14.2	-13.2	-0.6
MAN	2692	1705	3198	919	380	450	600
%	-14.2	-36.7	87.6	-71.3	-58.7	18.4	33.3
SASK	2037	1827	1220	463	357	203	320
%	40.7	-10.3	-33.2	-62.0	-22.9	-43.1	57.6
ALTA	1166	1615	1807	2768	2992	3359	3504
%	1.4	38.5	11.9	53.2	8.1	12.3	4.3
BC	8790	11818	12999	17544	13506	16407	17882
%	8.6	34.4	10.0	35.0	-23.0	21.5	9.0
CAN	84729	87321	93902	88173	74877	*68000	*70500
%	15.0	3.1	7.5	-6.1	-15.1	-9.2	3.7

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Labour Markets

### Employment (annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2.3	5.4	4.1	0.0	-2.0	-4.6	1.1
PEI	2.3	3.4	1.4	1.7	-4.1	0.0	1.9
NS	2.8	4.6	1.9	1.6	-2.0	-2.2	2.2
NB	3.5	3.2	1.6	2.2	-1.7	0.7	1.7
QUE	3.3	2.8	1.0	0.8	-2.2	-1.2	1.2
ONT	3.6	3.7	1.8	-0.3	-3.4	-0.7	2.5
MAN	1.2	0.3	0.8	1.5	-2.3	-0.4	1.4
SASK	0.4	-0.5	-1.1	0.7	-0.1	0.0	0.7
ALTA	0.4	3.5	2.3	1.4	1.2	0.3	1.6
BC	2.8	4.0	5.7	2.4	1.4	1.3	2.4
CAN	2.9	3.2	2.0	0.7	-1.8	-0.5	1.9

### Unemployment Rate (per cent)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	17.9	16.4	15.8	17.1	18.4	20.0	19.8
PEI	13.2	13.0	14.1	14.9	16.8	17.0	16.0
NS	12.3	10.2	9.9	10.5	12.0	12.9	12.1
NB	13.1	12.0	12.5	12.1	12.7	13.0	12.5
QUE	10.3	9.4	9.3	10.1	11.9	12.3	12.1
ONT	6.1	5.0	5.1	6.3	9.6	10.7	10.2
MAN	7.4	7.8	7.5	7.2	8.8	9.4	9.1
SASK	7.4	7.5	7.4	7.0	7.4	7.6	7.2
ALTA	9.6	8.0	7.2	7.0	8.2	9.4	9.3
BC	11.9	10.3	9.1	8.3	9.9	10.8	10.7
CAN	8.8	7.8	7.5	8.1	10.3	11.1	10.8

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.

## Demographics

### Total Net Migration (number of persons)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	-5470	-1991	-724	-4262	-1463	-3700	-4500
PEI	564	725	305	-1385	-1436	-125	375
NS	-1010	-630	610	835	2036	1095	1190
NB	-2315	-959	2203	-289	-2476	-1950	-900
QUE	13277	12578	22278	25807	31249	26500	27000
ONT	101335	82292	79554	85730	91918	119000	126500
MAN	-2428	-6254	-4775	-3979	-4090	-1500	-1500
SASK	-9467	-14704	-15370	-13815	-8197	-8100	-8100
ALTA	-17698	5907	10566	21770	18525	15000	15000
BC	32063	48188	59537	64446	59568	65700	61200
CAN*	108851	125152	154184	174858	185634	211920	216265

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	90:Q4	91:Q1	91:Q2	91:Q3	91:Q4	92:Q1	92:Q2
<b>New housing</b>							
Building permits, units, thousands	136.2	122.1	170.2	186.6	187.2	177.4	..
%	-6.1	-10.3	39.4	9.6	0.3	-5.3	..
Housing starts, total, thousands	147	101	148	179	181	153	165
%	-9.3	-31.3	46.5	20.9	1.1	-15.5	7.8
Housing starts, singles, thousands	83	54	84	100	96	77	90
%	-9.8	-34.9	55.6	19.0	-4.0	-19.8	16.9
Housing starts, multiples, thousands	64	47	64	79	85	76	75
%	-8.6	-26.6	36.2	23.4	7.6	-10.6	-1.3
Housing completions, total, thousands	191	176	149	157	159	173	168
%	-5.4	-7.9	-15.3	5.4	1.3	8.8	-2.9
New house price index, 1986=100	139.6	134.5	133.5	134.7	134.6	133.5	..
%	-2.6	-3.7	-0.7	0.9	-0.1	-0.8	..
<b>Existing housing</b>							
MLS* resales, units, thousands	240.8	281.7	368.2	289.4	264.1	284.1	334.0
%	-1.3	17.0	30.7	-21.4	-8.7	7.6	17.6
MLS* average resale price, \$C thousands	141.3	144.6	156.9	148.8	146.5	161.3	153.3
%	-2.5	2.3	8.5	-5.2	-1.5	10.1	-5.0
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	233.0	237.6	242.7	249.1	253.6	258.2	..
%	1.5	2.0	2.1	2.7	1.8	1.8	..
Mortgage approvals, \$C billions	53.0	56.9	74.6	77.0	68.9	80.4	..
%	14.5	7.4	31.1	3.2	-10.5	16.7	..
1-year mortgage rate, per cent**	12.83	11.25	10.25	9.92	8.92	8.67	8.17
5-year mortgage rate, per cent**	12.83	11.67	11.25	11.42	10.18	10.00	9.93
<b>Residential investment***</b>							
Total, \$1986 billions	31.7	28.7	30.5	31.7	32.4	32.3	..
%	-6.9	-9.4	6.2	4.1	2.1	-0.1	..
New, \$1986 billions	15.0	13.0	12.8	14.8	16.1	15.3	..
%	-9.7	-13.5	-1.8	15.8	8.8	-4.8	..
Alterations, \$1986 billions	11.1	9.7	10.2	10.6	10.3	10.1	..
%	-6.8	-12.9	5.7	3.6	-2.5	-2.5	..
Transfer costs, \$1986 billions	5.5	6.0	7.5	6.3	6.0	6.9	..
%	1.6	8.8	24.5	-15.4	-5.8	16.5	..
Deflator, 1986=100	124.9	132.5	136.0	135.2	134.3	135.6	..
%	-1.0	6.1	2.6	-0.6	-0.7	1.0	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* Multiple Listing Service (MLS) is a registered certification mark owned by The Canadian Real Estate Association.

\*\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.











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**NATIONAL  
HOUSING  
OUTLOOK  
FOURTH  
QUARTER  
1992**



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Canada



**NATIONAL HOUSING OUTLOOK**  
**FOURTH QUARTER, 1992**

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**CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared October, 1992

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# NATIONAL HOUSING OUTLOOK

## Housing activity rose in the third quarter

Pulled higher by the lowest mortgage rates in 25 years, housing activity increased on both the new and the resale market during the July-September period. Housing starts reached 176,000 units on a seasonally adjusted basis at annual rate (SAAR), up 6.7 per cent from the second quarter level of 165,000 units. On the existing market, sales through the Multiple Listing Service (MLS)\* system reached an estimated 350,000 units on a SAAR basis, a gain of 4.6 per cent over the previous quarter.

The new market posted its second consecutive advance and the improvement was due to higher starts of both single-detached and multiple-unit dwellings. During the quarter, activity increased in all regions, except Quebec where starts declined following a strong second quarter surge. British Columbia and the Prairie region advanced further from a strong base. Starts rose slightly in Ontario while activity continued to recover in the Atlantic region.

Economic conditions were mildly supportive. Five-year mortgage interest rate dropped to 8.50 per cent during the quarter, the lowest level since September 1967, a quarter century ago. One-year

mortgage rates, introduced in the early 1980s, hit a new low at 6.25 per cent.

## *Economic recovery to gather momentum in 1993*

Home ownership support programs also sustained housing markets, especially the existing market. Under CMHC's First Home Loan Insurance allowing for 95-per cent mortgage financing, 19,287 housing units were purchased during the third quarter. This brings the total to date to 49,133 units, with existing units accounting for close to 90 per cent of the total. Another program is the Home Buyer's Plan which allows for the tax-free use of RRSP funds in buying a home.

Low mortgage rates and the ownership programs, however, have not led to a strong surge of activity due to the offsetting influence of sluggish economic activity and subdued consumer confidence. Employment rose at an annual rate of 0.4 per cent during the third quarter, a modest increase following two consec-

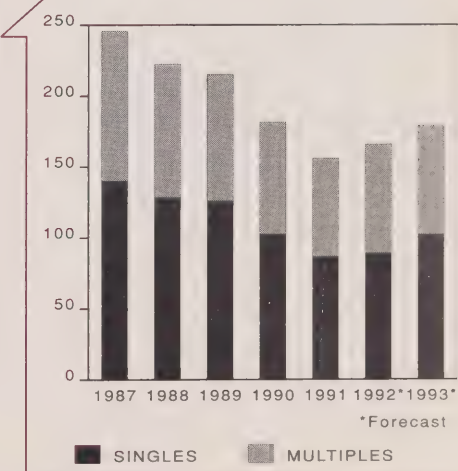
utive quarterly decline. Consumer confidence improved, but only slightly.

The impact of the low interest rates was also dampened by the fact that rates are still high compared to inflation trends in the housing sector and in overall prices. Recently, house prices remained stable or changed only slightly except in British Columbia where they have been rising at double-digit rates due to strong demand. In the third quarter, the consumer price index was up only 1.3 per cent from its level of a year ago.

## Interest rate spike clouds the outlook

Caught by a wave of speculation on world currency markets, the Canadian dollar came under heavy pressure in September, falling

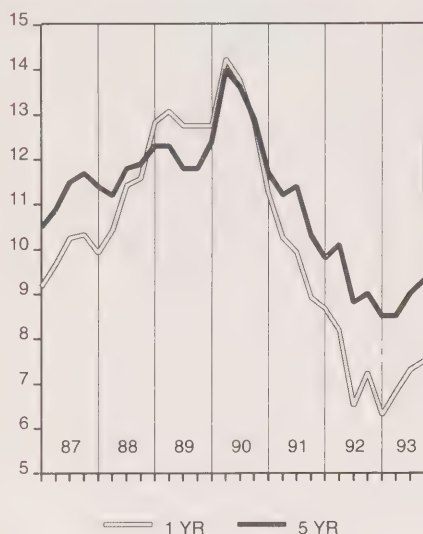
**Housing Starts  
Units Thousands (Annually)  
CANADA**



SOURCE: CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

**Mortgage Rates**  
**Per cent**  
**Major Financial Institutions**



SOURCE: Bank of Canada Review.  
1992-93 CMHC forecast.

below 80 cents U.S., down approximately four cents in the month. In order to counter this, market interest rates were raised. Mortgage rates followed: at the end of September, the one-year mortgage rate rose 150 basis points to 7.75 while the five-year rate was up 75 points to 9.25 per cent.

In the past, when the Canadian dollar was the target of downward speculation, interest rates usually rose for a short period of time. They then returned to their earlier levels gradually over periods of a few months with a negative but limited impact on interest sensitive sectors of the economy such as housing.

Several factors may explain this limited impact on housing. For example, financing packages put in

place by lenders and builders may allow for mortgage offerings to buyers at the old rates. A sudden rise in rates may also prompt prospective buyers who were "fence-sitting", waiting for lower rates, to proceed immediately with their purchases. As well, short periods of higher rates are more likely to delay rather than cancel purchasing decisions.

Current expectations are that rates will gradually return to their earlier level by the end of the year or early in 1993, and that the dampening impact on housing in the closing months of the year and in early 1993 will be slight.

We expect the economic recovery to gather momentum in 1993, leading to real GDP growth of around 3.5 per cent next year, up from 1.4 per cent in 1992. Interest rates, following their retreat from the current spike, should stay low for most of next year although rising toward the end of the year. Economic activity will be propelled by an improving trade balance due to a more vigorous U.S. recovery and a stronger cost competitiveness stemming from a lower dollar. Our export potential to Japan and Europe will, however, be limited due to slow growth prospects there. The domestic economy will also benefit from improved consumer confidence and spending resulting from better job prospects, higher disposable incomes and a further decline of personal savings. By contrast, business investment is

expected to remain disappointing due to unused capacity and a partial recovery in profits.

***Starts will  
rise to  
179,000 units  
next year***

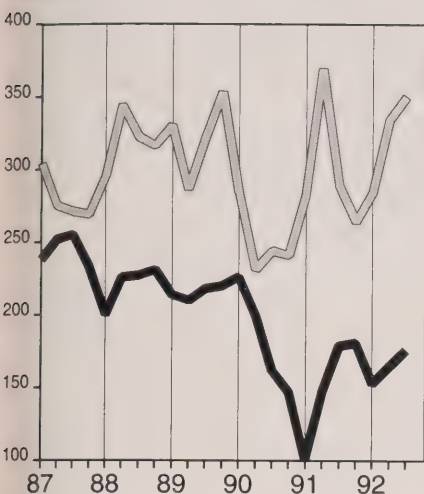
**Housing markets will  
record modest gains in  
1993**

Housing construction activity is expected to total 166,000 dwelling units this year, up 6.3 per cent from the level of 1991. Next year, a further gain of 7.8 per cent should lift starts to 179,000 units. The current spike of mortgage interest rates is expected to result in slightly lower starts in the closing quarter of this year and the first quarter of 1993. Gains in the remaining part of 1993 will reflect the return to lower interest rates as well as the gradual economic recovery and the resulting improvement in consumer confidence.

The 1993 activity advance will be mainly concentrated in single-detached dwellings. After very limited gains to 89,000 units this year, starts will jump 15 per cent to 102,000 units next year, as better economic conditions will improve job markets and consumer



**Housing Starts and Residential MLS Sales**  
Seasonally adjusted at annual rates  
Units Thousands (Qtrly)  
Canada



HOUSING STARTS      MLS SALES  
SOURCES: CMHC; The Canadian Real Estate Association.

confidence, giving some new life to the move-up housing market. Following disappointing results in 1992, Ontario, Quebec and Manitoba will experience percentage increases above national average. The 1993 performance will reflect improving economic conditions for the industrial base of those provincial economies. By contrast, only marginal changes are expected in British Columbia and Alberta, two provinces which recorded strong increases in 1992. In both provinces, economic conditions and job prospects are expected to slow down from their current pace.

Construction should start on 77,000 multiple units this year, an increase of 10.6 per cent over the level of 1991. The gain resulted

mainly from strong demand by first-time buyers for affordable semi-detached, row and apartment condominium units. Next year, construction is forecast to remain at 77,000 units. This flat performance will reflect lower rental construction, as ownership support programs reduce demand for rental accommodations. Special trends in the major provincial markets are also important contributing factors. Ontario starts will drop marginally as lower social housing starts offset a slight increase in market housing. Quebec multiple starts are forecast to be moderately lower due to an oversupplied rental market. In British Columbia, production constraints are expected to limit the expansion of multiple rental and condominium projects in spite of strong housing demand. Multiple starts are also expected to fall in PEI, New Brunswick, and Saskatchewan.

To sum up the provincial picture, total starts in 1993 are forecast to show increases in excess of 10 per cent in Ontario, Manitoba, Nova Scotia and Newfoundland. The increases are expected to be close to the national average in Quebec and New Brunswick. Activity should increase slightly or hold steady in British Columbia and PEI while it is expected to decline in Alberta and Saskatchewan.

Sales on the existing market through the MLS system should follow trends similar to those seen on the new market. The number of

transactions is expected to be up 6.1 per cent this year to 319,000 units due to low interest rates, improved affordability and strong support from the two nation-wide programs in favour of home ownership. In 1993, with the demand from first-time buyers mostly satisfied, the increase should be limited to 4.1 per cent, resulting in the sale of 332,000 residential units. Next year, Ontario and Quebec should see increases in the six to ten per cent range as the economy of the two central provinces recovers from the current recessionary conditions. Newfoundland should also see strong increases as Hibernia comes back fully onstream and employment picks up.

Average MLS prices are expected to be up 1.5 per cent to \$152,000 this year. In 1993, they are anticipated to rise by 5.3 per cent to \$160,000 as a result of better resale conditions in the central provinces, a still strong market in British Columbia and, overall, increased resale activity in higher priced products. Apart from a jump of around 10 per cent in the latter province, the increase in average prices will range between one and four per cent. ■



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

Widespread weakness in key industries, particularly the fishery, has suppressed housing demand in the province this year. Substantial job losses and sagging confidence have more than offset the positive impacts of lower interest rates and government initiatives on new home construction. Reduced demand and a wide selection of existing homes served to limit single-detached starts. While single-detached starts continued to falter during the third quarter, multiple unit activity advanced as demand by first-time buyers for affordably priced two apartment homes remained strong. Housing starts are forecast to fall 22 per cent this year to their lowest level since 1966. An upswing in resale market activity in early 1992 had moderated by mid-year with the sale of existing homes declining during the third quarter. Lower down payment requirements and market conditions which favour buyers have limited the decline in existing home sales with total MLS sales expected to fall only marginally in 1992.

Housing market activity will post modest gains next year reflecting a slow and gradual improvement in economic and labour market conditions. Full scale resumption of the Hibernia project and favourable interest rates will lead to increased consumer confidence and stimulate demand for

both new and existing homes in 1993. With rural areas most impacted by reduced fisheries output, demand for housing will be strongest in urban centres. Housing starts are forecast to advance 13.6 per cent to 2,500 units next year.

Although first-time buyers will account for the bulk of sales activity, pent-up demand from the move-up segment will provide additional support with total MLS sales expected to rise eight per cent to 2,025 units in 1993.

## Prince Edward Island

Unemployment and consumer uncertainty have overshadowed a solid recovery in PEI's housing markets. In fact, the weak economy has offset some of the potential gains in housing demand from low mortgage rates and 95 per cent financing. As a result, total housing starts are forecast to improve marginally to 625 units in 1992 and remain at that level in 1993. Although multiple unit construction has advanced relatively well under the current conditions, single-family home activity has not recovered to expected levels. Sales of existing homes have been even harder hit by the weak provincial economy as the total number of homes sold through the MLS is forecast to decline by 21 per cent.

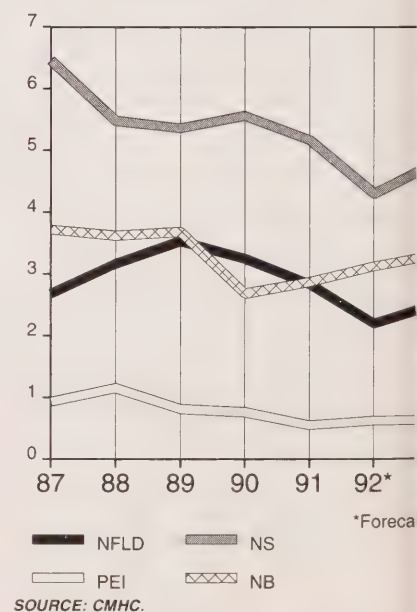
In 1993, a boost in consumer confidence is anticipated with

hiring for the GST centre in Summerside. This will positively impact the single-family home market as both starts and resale activity will increase modestly. Construction on the fixed link is not expected to have a significant impact on the housing sector if the project begins in 1993. The average MLS house price is forecast to improve slightly as well. Construction of new multiple units is expected to decline due to continuing high vacancy rates and minimal rent increases.

## Nova Scotia

The Nova Scotia housing industry is turning in a mixed performance in 1992. Low mortgage rates and the availability of 95 per cent financed mortgages are stimulating home buying despite the

**Housing Starts  
Units Thousands (Annually)  
Atlantic Region**



persistence of weak consumer confidence and a sputtering economy. Consequently, the demand for existing and new single-detached houses has grown in 1992. However, a decline in multiple-unit starts has more than offset gains in single-detached starts. The low level of multiple-unit construction is a direct result of a build-up of too many apartments in recent years, and from an exodus of renters purchasing their first homes.

Provincial housing market activity will continue to grow in 1993, but will be constrained by a lukewarm outlook for the economy. Housing demand will increase mainly as a result of the natural growth in households and positive net migration activity. The level of existing home sales will continue to be high from a historic perspective, growing by 3.3 per cent in 1993. The recovery started this year in single-family home construction, will extend into 1993, building up by 6.5 per cent. Multiple-unit housing construction will be limited by high vacancy rates, but will experience some growth in 1993, as vacancy rates begin to fall.

## New Brunswick

The provincial economy which is forecast to recover in 1993 is currently displaying early signs of renewed growth. The mining industry, benefiting from rising zinc prices since spring, is now expected to expand by about six per

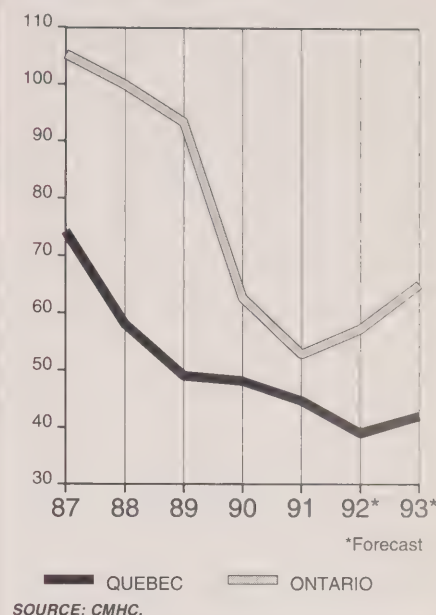
cent this year. Retail sales are also beginning to improve as local consumer confidence slowly rebuilds. The much needed recovery of the forestry sector, however, will not occur before 1993.

The new construction market will outperform the existing market this year. Early season sales of existing homes to first-time buyers depleted the stock of homes in the lower price brackets. Budget conscious home-buyers who wanted to take advantage of attractive mortgage rates were effectively redirected into the new construction market. Builders were quick to respond to this growing demand with increased house building. Construction activity which had shown signs of improvement by mid year will close out 1992 up nine per cent. Buoyed by increasing employment, home building will continue to display good growth throughout 1993. The existing market which is beginning to experience the return of move-up buyers will also record growth this year and next. Sales this year, that will increase by 2.8 per cent to 3,350, will expand to 3,500 next year. While the volume of activity in the new and existing markets will increase both this year and next, price growth will remain modest.

## Quebec

Residential construction will end the year 1992 with a production level of 39,000 units thus marking the fifth consecutive annual

**Housing Starts  
Units Thousands (Annually)  
Quebec and Ontario**



decline. Construction of single-detached units will fall by 20 per cent and the number of multiple units by 5 per cent. In this sector, semi-detached and row houses selling for under \$100,000 continue to be very popular. Moreover, even with record vacancy rates in Quebec, construction activity on new rental projects, especially in the larger urban areas of the province, will decrease by only 7 per cent with a total production of 8,500 units in 1992.

A labour market which has been difficult throughout the year (net loss of 35,000 jobs in 1992) together with a declining real estate market have continued to stymie move-up buyer demand. However, thanks to record low interest rates, to the federal incentive programs and to a positive net migratory balance just as vigorous as in previous years, residential



construction activities have been sustained (nearly twice as much activity as in 1982, the year of the last recession) and the resale market has progressed. The latter, in spite of a gradual loss of vigour in the spring, will finish the year 1992 up 8 per cent with 30,200 MLS sales. The high number of houses for sale and a first-time buyer market produced a small one per cent decrease in the average MLS price.

For 1993, the growing surplus of existing rental units and of new houses will limit the recovery in residential construction to 42,000 units. The 22 per cent increase in single-detached construction, with a gradual return of move-up buyers to the market, will be offset by further declines in the rental, semi-detached and row house sectors. A healthier labour market (net creation of 35,000 jobs) and relatively low mortgage rates should strengthen both the new and existing house markets. The resale market (33,200 MLS sales) will increase by 10 per cent and there will be a 3 per cent increase in the average MLS price.

## **Ontario**

Third quarter 1992 housing starts pointed to a stronger second half year as starts climbed to 60,000 SAAR from 55,000 in the second quarter. Both single and multiple starts, year-to-date, were up from 1991. Multiple starts jumped close to 18 per cent, braced by government assisted rental programs.

Weak private market renter demand and condominium oversupply kept private rental and condominium starts low. A small year-to-date increase of single detached starts, slightly over three per cent, indicates emerging market demand. Lower minimum down payments, low interest rates and access to RRSP funds have helped raise Ontario's residential MLS sales throughout 1992. Ontario's average MLS price, while lower than in 1991, has been stable this year.

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## ***Jobs will lift Ontario residential demand in 1993***

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Consumer and business confidence are growing despite modest job losses in the third quarter of 1992. The Conference Board of Canada's indicator of Ontario Consumer Attitudes increased moderately from last year's fourth quarter low. Third quarter results of The Canadian Survey of Manufacturing Industries show new order levels rising and expectations of higher production. Employment in Ontario's pro-cyclical manufacturing sector has demonstrated an upward trend for the past six

months. More broadly based employment growth is anticipated early next year. The new jobs will lift Ontario residential demand.

Multiple unit starts are expected to inch down to 29,500 units in 1993. A small increase in condominium unit starts will partially offset a reduction in assisted rental construction. Modestly priced semi-detached and row starts, a response to the demand for affordable housing, will continue to be robust. Next year's single-detached home starts are predicted to jump 30 per cent and residential MLS sales by over six per cent, fueled by higher employment and migration levels, and growing consumer confidence. Average MLS price will rise more than two per cent next year as the supply of new listings continues to decline.

## **Manitoba**

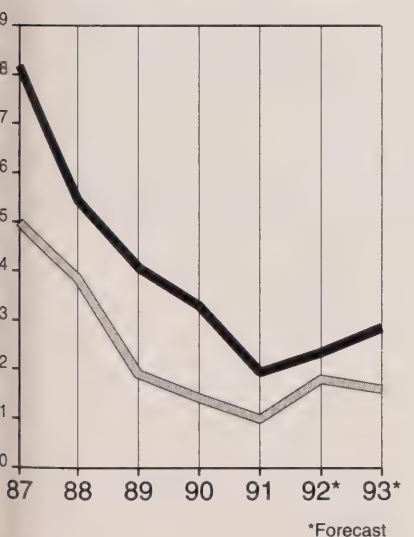
Improved affordability and 95 per cent mortgages for first-time buyers have strengthened demand in Manitoba's new and existing residential markets this year. Resale activity is approaching record levels in Winnipeg, although average prices have remained flat due to the higher proportion of first-time buyers. New construction has recovered from last year's record low performance, but overall activity remains weak by historical standards. While a stronger economy and renewed consumer confidence should help sustain this upturn into 1993, growth prospects have



declined in recent months. The province's transportation and resource industries will be weaker than expected, with planned investments now delayed or cancelled outright. The expected value of the 1992 harvest has been downgraded due to poor growing conditions. This will moderate next year's anticipated improvement in both consumer optimism and housing demand in rural areas.

Total housing starts will increase by 21 per cent to 2,850 units in 1993, following a similar advance this year. Single-family activity will rise to 2,250 units next year, as improved equity positions bring more move-up buyers into the new home market. Multiple starts will remain weak in 1993, due to continued high apartment vacancy rates in most communities. A strong increase in the number of renters shifting into

**Housing Starts**  
Units Thousands (Annually)  
Manitoba and Saskatchewan



MANITOBA SASKATCHEWAN  
SOURCE: CMHC.

homeownership will delay the expected improvement in the over-supplied rental market and temper rent increases. Resale markets in the four largest communities will end 1992 with sales up by 15 per cent to the 11,000 mark. Growth in sales will moderate in 1993, as higher prices and rising interest rates erode affordability for first-time buyers. Following a year of relative stability, average resale prices will increase by 2.5 per cent next year to \$82,500.

## Saskatchewan

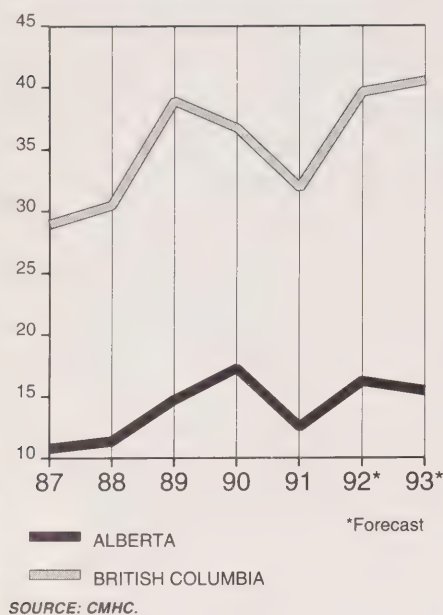
Housing activity has been a leading factor in the modest economic recovery in Saskatchewan during 1992. Construction of new homes, especially single-family dwellings, has been the highest in two years. Most of the activity was centred in the city of Regina where there is optimism due to the Crown Life Insurance and Farm Credit Corporation relocations. All cities in Saskatchewan experienced significant increases in housing construction activity compared to previous years. By the end of 1992, sales of existing homes will have been the highest since 1987. As a result, the number of homes listed "for sale" has declined in the past year. Rental vacancies in most Saskatchewan communities are declining slowly, however, the rental market remains over-supplied.

Saskatchewan's economic outlook for 1993 is mildly optimistic. Consumer spending and housing activity brought on by relatively low interest rates will again be major contributors to the province's continued economic recovery. Offsetting the recovery will be persistent difficulties in agriculture and fewer non-residential construction projects. Lower levels of net out-migration will lead to an increase in the number of new households formed in 1993. The forecast growth in the economy and new households will translate into new housing construction and existing sales activity reaching the same buoyant levels as seen in 1992.

## Alberta

Housing activity in Alberta remained strong through the third quarter of 1992, however momentum slowed in both the new and resale markets in comparison to the first half of the year. Provincial housing starts are still showing strong gains, up an impressive 57 per cent in the first nine months over 1991. Lower interest rates continue to attract first time buyers, with the momentum now spread more evenly through starter and move-up price ranges. High-end sales have remained sporadic with low demand in most centres. Strong home-buying activity has softened the rental market, particularly in higher priced rental units where the movement to home ownership was the strongest.

**Housing Starts**  
Units Thousands (Annually)  
Alberta and British Columbia



Some relief is expected this fall as seasonal factors and increased enrollments in universities and colleges improve occupancy rates.

Continued growth in the housing market is not expected in 1993. This year's weak economy, lower migration and employment growth will slow housing activity into next year. Job creation from new projects in forestry and petrochemicals has been offset by cutbacks in most other sectors. One recent example is the announcement of up to 1,500 layoffs by Alberta Government Telephones (AGT). The energy sector in particular has deteriorated this year; although the province's plan to reduce royalties will boost drilling activity, the impact on housing markets is not expected to be dramatic. Gains in employment are increasingly in part-time jobs.

On the positive side a lower Canadian dollar has stimulated the export sector, which will continue next year. In housing modest declines in both single- and multiple-family construction will result in a 4.9 per cent decline in starts in 1993.

## British Columbia

The housing market was propelled forward by 25-year low mortgage rates, very high in-migration, and federal government demand incentives. Housing sales (MLS) were up sharply in September and housing starts were the strongest since the current recovery phase began. Prices moved higher in the past quarter as a result of strong demand conditions and some supply limitations. For example, single family lot supply was tight in Vancouver and Victoria. The tightening up by lenders on the financing of new residential developments was not fully evident in the past quarter but it remains a future concern.

The economy is growing at a very slow pace and may begin to pull down the housing market. Employment crept up in the third quarter but unemployment also went up. Good growth prospects in B.C.'s export markets are necessary for this weak growth situation to change for the positive. However, these external prospects are being steadily downgraded by forecasters and a meaningful recovery remains an assumption. The stimulus to housing provided

by the unprecedented drop in mortgage rates and government incentives could fade and the employment situation may not pick up the slack. The economy usually begins to grow more vigorously after the early stages of a housing recovery, but there is a risk that this may not happen and the housing recovery could sputter.

For 1993, the working assumptions call for stronger national and key international economies. This should benefit B.C.'s export-oriented economy. High in-migration levels are also forecast for the province. These factors, along with a favourable mortgage rate scenario, suggest that the housing recovery will continue into 1993. MLS sales will be at record levels this year and next. Housing starts in 1993 have been revised down slightly in light of the weak economy, some production constraints, and the interest rate hike. Total starts in 1993 are forecast at 40,500 units, up slightly from 1992. ■

## Housing Starts

### Total (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2682	3168	3536	3245	2836	2200	2500
%	-7.0	18.1	11.6	-8.2	-12.6	-22.4	13.6
PEI	933	1151	815	762	553	625	625
%	-15.9	23.4	-29.2	-6.5	-27.4	13.0	0.0
NS	6460	5478	5359	5560	5173	4300	4800
%	-14.7	-15.2	-2.2	3.8	-7.0	-16.9	11.6
NB	3716	3621	3681	2683	2872	3125	3300
%	-8.1	-2.6	1.7	-27.1	7.0	8.8	5.6
QUE	74179	58062	49058	48070	44654	39000	42000
%	22.9	-21.7	-15.5	-2.0	-7.1	-12.7	7.7
ONT	105213	99924	93337	62649	52794	57200	65000
%	29.1	-5.0	-6.6	-32.9	-15.7	8.3	13.6
MAN	8174	5455	4084	3297	1950	2350	2850
%	6.2	-33.3	-25.1	-19.3	-40.9	20.5	21.3
SASK	4895	3856	1906	1417	998	1800	1600
%	-11.2	-21.2	-50.6	-25.7	-29.6	80.4	-11.1
ALTA	10790	11360	14712	17227	12492	16200	15400
%	27.5	5.3	29.5	17.1	-27.5	29.7	-4.9
BC	28944	30487	38894	36720	31875	39600	40500
%	39.9	5.3	27.6	-5.6	-13.2	24.2	2.3
CAN	245986	222562	215382	181630	156197	*166000	*179000
%	23.1	-9.5	-3.2	-15.7	-14.0	6.3	7.8

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	2530	2839	2932	2468	2135	1500	1700
%	-3.7	12.2	3.3	-15.8	-13.5	-29.7	13.3
PEI	699	704	456	483	376	425	475
%	-10.7	0.7	-35.2	5.9	-22.2	13.0	11.8
NS	4120	3867	3361	3639	2604	3100	3300
%	-9.5	-6.1	-13.1	8.3	-28.4	19.0	6.5
NB	2957	2953	2909	2137	2154	2325	2650
%	-8.6	-0.1	-1.5	-26.5	0.8	7.9	14.0
QUE	31430	27724	24493	24942	22531	18000	22000
%	32.7	-11.8	-11.7	1.8	-9.7	-20.1	22.2
ONT	64929	57099	53511	32425	26290	27300	35500
%	15.0	-12.1	-6.3	-39.4	-18.9	3.8	30.0
MAN	4631	3601	2966	2847	1589	1800	2250
%	-3.3	-22.2	-17.6	-4.0	-44.2	13.3	25.0
SASK	2995	2246	1383	1087	775	1350	1300
%	-20.6	-25.0	-38.4	-21.4	-28.7	74.2	-3.7
ALTA	9495	9671	12345	13809	9778	12700	12000
%	32.9	1.9	27.6	11.9	-29.2	29.9	-5.5
BC	16353	17761	21612	18478	18335	20750	20900
%	26.1	8.6	21.7	-14.5	-0.8	13.2	0.7
CAN	140139	128465	125968	102315	86567	*89000	*102000
%	16.8	-8.3	-1.9	-18.8	-15.4	2.8	14.6

### Multiples (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	152	329	604	777	701	700	800
%	-40.6	116.4	83.6	28.6	-9.8	-0.1	14.3
PEI	234	447	359	279	177	200	150
%	-28.4	91.0	-19.7	-22.3	-36.6	13.0	-25.0
NS	2340	1611	1998	1921	2569	1200	1500
%	-22.5	-31.2	24.0	-3.9	33.7	-53.3	25.0
NB	759	668	772	546	718	800	650
%	-6.4	-12.0	15.6	-29.3	31.5	11.4	-18.8
QUE	42749	30338	24565	23128	22123	21000	20000
%	16.6	-29.0	-19.0	-5.8	-4.3	-5.1	-4.8
ONT	40284	42825	39826	30224	26504	29900	29500
%	61.0	6.3	-7.0	-24.1	-12.3	12.8	-1.3
MAN	3543	1854	1118	450	361	550	600
%	21.8	-47.7	-39.7	-59.7	-19.8	52.4	9.1
SASK	1900	1610	523	330	223	450	300
%	9.2	-15.3	-67.5	-36.9	-32.4	101.8	-33.3
ALTA	1295	1689	2367	3418	2714	3500	3400
%	-1.6	30.4	40.1	44.4	-20.6	29.0	-2.9
BC	12591	12726	17282	18242	13540	18850	19600
%	63.1	1.1	35.8	5.6	-25.8	39.2	4.0
CAN	105847	94097	89414	79315	69630	*77000	*77000
%	32.7	-11.1	-5.0	-11.3	-12.2	10.6	0.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	1906	2217	2040	1998	1892	1875	2025
%	3.3	16.3	-8.0	-2.1	-5.3	-0.9	8.0
PEI	507	505	626	742	764	600	625
%	8.6	-0.4	24.0	18.5	3.0	-21.5	4.2
NS	5903	5734	5863	6072	5811	6100	6300
%	-3.2	-2.9	2.2	3.6	-4.3	5.0	3.3
NB	2948	3518	3490	3316	3259	3350	3500
%	9.7	19.3	-0.8	-5.0	-1.7	2.8	4.5
QUE	29909	30503	30618	28067	27981	30200	33200
%	2.4	2.0	0.4	-8.3	-0.3	7.9	9.9
ONT	134370	160578	142914	102792	126143	130000	138000
%	-6.7	19.5	-11.0	-28.1	22.7	3.1	6.2
MAN	12367	11129	10375	9356	9521	11000	11250
%	3.5	-10.0	-6.8	-9.8	1.8	15.5	2.3
SASK	7875	7301	6850	6405	6505	7500	7100
%	-4.1	-7.3	-6.2	-6.5	1.6	15.3	-5.3
ALTA	27632	30368	36249	33085	34360	37000	36000
%	16.6	9.9	19.4	-8.7	3.9	7.7	-2.7
BC	56376	67460	83562	58027	84554	91500	93900
%	22.2	19.7	23.9	-30.6	45.7	8.2	2.6
CAN**	279793	319313	322587	249860	300790	*319000	*332000
%	2.0	14.1	1.0	-22.5	20.4	6.1	4.1

### Average Residential Price (dollars and annual per cent change)

	1987	1988	1989	1990	1991	1992 <sup>(F)</sup>	1993 <sup>(F)</sup>
NFLD	73416	76828	83284	88654	90822	91000	93000
%	6.0	4.6	8.4	6.4	2.4	0.2	2.2
PEI	58850	65463	74168	69283	71033	73000	74000
%	8.1	11.2	13.3	-6.6	2.5	2.8	1.4
NS	78885	79591	82328	84650	86462	89000	92000
%	5.3	0.9	3.4	2.8	2.1	2.9	3.4
NB	67632	72101	75848	77752	80897	82750	85000
%	5.7	6.6	5.2	2.5	4.0	2.3	2.7
QUE	86003	95367	100517	100811	102840	102000	105000
%	15.4	10.9	5.4	0.3	2.0	-0.8	2.9
ONT	135656	161270	184605	175859	173723	163400	167200
%	25.4	18.9	14.5	-4.7	-1.2	-5.9	2.3
MAN	77031	80427	82401	79961	80445	80500	82500
%	9.8	4.4	2.5	-3.0	0.6	0.1	2.5
SASK	65811	68355	70417	68963	67697	70000	71000
%	3.2	3.9	3.0	-2.1	-1.8	3.4	1.4
ALTA	83905	89554	98542	108675	111482	114500	118750
%	6.8	6.7	10.0	10.3	2.6	2.7	3.7
BC	101916	121040	151504	157616	168235	191000	210000
%	9.8	18.8	25.2	4.0	6.7	13.5	9.9
CAN**	111404	131526	148776	143432	149757	*152000	*160000
%	17.3	18.1	13.1	-3.6	4.4	1.5	5.3

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.

## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	91:Q1	91:Q2	91:Q3	91:Q4	92:Q1	92:Q2	92:Q3
<b>New housing</b>							
Building permits, units, thousands	122.1	170.2	186.6	187.2	177.4	168.0	167.3
%	-10.3	39.4	9.6	0.3	-5.3	-5.3	-0.4
Housing starts, total, thousands	101	148	179	181	153	165	176
%	-31.3	46.5	20.9	1.1	-15.5	7.8	6.7
Housing starts, singles, thousands	54	84	100	96	77	90	96
%	-34.9	55.6	19.0	-4.0	-19.8	16.9	6.7
Housing starts, multiples, thousands	47	64	79	85	76	75	80
%	-26.6	36.2	23.4	7.6	-10.6	-1.3	6.7
Housing completions, total, thousands	176	149	157	159	173	168	180
%	-7.9	-15.3	5.4	1.3	8.8	-2.9	7.1
New house price index, 1986=100	134.5	133.5	134.7	134.6	133.5	133.7	..
%	-3.7	-0.7	0.9	-0.1	-0.8	0.1	..
<b>Existing housing</b>							
MLS resales, units, thousands	281.7	368.6	288.9	263.9	284.1	334.4	349.7
%	17.0	30.8	-21.6	-8.7	7.7	17.7	4.6
MLS average resale price, \$C thousands	146.4	155.2	148.7	146.5	163.2	151.5	145.3
%	3.8	6.0	-4.2	-1.5	11.4	-7.2	-4.1
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	242.6	248.2	254.7	261.1	266.6	272.8	279.6
%	2.0	2.3	2.6	2.5	2.1	2.3	2.5
Mortgage approvals, \$C billions	56.9	74.6	77.0	68.9	80.5	68.0	..
%	7.4	31.1	3.2	-10.5	16.8	-15.5	..
1-year mortgage rate, per cent*	11.25	10.25	9.92	8.92	8.67	8.17	6.50
5-year mortgage rate, per cent*	11.67	11.25	11.42	10.18	10.00	9.93	8.71
<b>Residential investment**</b>							
Total, \$1986 billions	28.7	30.5	31.7	32.4	32.0	32.5	..
%	-9.4	6.2	4.1	2.1	-1.2	1.6	..
New, \$1986 billions	13.0	12.8	14.8	16.1	14.9	15.1	..
%	-13.5	-1.8	15.8	8.8	-7.3	1.1	..
Alterations, \$1986 billions	9.7	10.2	10.6	10.3	10.2	10.4	..
%	-12.9	5.7	3.6	-2.5	-1.6	2.4	..
Transfer costs, \$1986 billions	6.0	7.5	6.3	6.0	6.9	7.0	..
%	8.8	24.5	-15.4	-5.8	15.8	1.4	..
Deflator, 1986=100	132.5	136.0	135.2	134.3	135.5	136.1	..
%	6.1	2.6	-0.6	-0.7	0.9	0.4	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.













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# Executive Summary

## Canada

Building on an increase of 7.7 per cent to 168,271 units in 1992, housing markets are expected to show further improvements in 1993 and 1994 with respective new home construction levels of 177,000 and 193,000 units.

In 1993, the increase in housing starts will be limited to single-detached units. The construction of multiple units is expected to be lower, in particular rental units in Ontario and Quebec. In 1994, increases will be recorded for both types of construction. The resale market, after a strong increase in 1992 due to the presence of first-time buyers, will record further gains in 1993 and 1994.

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***New home  
construction will  
reach 177,000  
units in 1993 and  
193,000 units in  
1994***

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The factors supporting the new and existing markets over the next two years include improving, yet moderate, recovery in output and employment, low interest rates, rising consumer confidence and contin-

ued high levels of immigration. Federal housing programs favourable to home ownership will also contribute to market activity this year. However, the level of starts and activity on the resale market will rise only modestly due to high apartment vacancy rates, substantial stocks of new unsold inventories in some condominium markets, and generally stable prices that slow down the trend toward moving up.

## Newfoundland

Job losses in fisheries and delays to Hibernia have eroded consumer confidence in Newfoundland, resulting in a 20 per cent decline in housing starts to 2,271 in 1992, the lowest level since 1966. A gradual improvement in consumer confidence, due in part to the green light for Hibernia, and the continuation of federal government initiatives will support modest gains in new home construction. Housing starts are forecast at 2,400 units in 1993 and 2,600 units in 1994. These same factors, combined with low mortgage rates, will contribute to a limited rebound of activity on the resale market in 1993, following four consecutive annual declines.

## Prince Edward Island

Housing starts climbed 16 per cent to 644 units on the Island in 1992 partly in anticipation of the establishment of the GST centre at Summerside. Over the forecast period, start-up of the fixed link project, low mortgage rates and renewed consumer confidence will lead to

higher construction of single-unit dwellings and to improvements on the resale market. Multiple unit construction, however, is expected to decline both this year and next as a result of continued high apartment vacancy rates in Charlottetown. Total starts are expected to fall to 600 units in 1993 before a rebound to 630 units in 1994.

## Nova Scotia

Low mortgage rates and the two federally initiated home buying programs boosted single-unit starts and the resale market in 1992. Total starts, however, declined to 4,673 units because of a drop in multiple unit construction. After two years of declining activity and substantial job losses, the provincial economy and its job market will benefit from infrastructure projects and improving export markets. This will form the basis for a gradual increase in construction activity to 5,000 units this year and 5,100 units in 1994. An increase in multiple units is expected in spite of a soft rental market. The resale market will also be active.

## New Brunswick

Housing markets experienced good growth in New Brunswick during 1992 when starts rose 15 per cent to 3,310 units. This year, the economy of the province will strengthen as a result of stronger export markets, especially for lumber products, public works, and reduced cross border shopping. These improved conditions, in combination with



continued low mortgage rates will support mounting demand for housing in 1993 and 1994. Total starts will rise to 3,550 this year and 3,900 next year. The resale market, which recorded solid growth last year, is expected to advance further this year and next due to strong housing demand.

## **Quebec**

In 1992, new home construction in Quebec fell for the fifth consecutive year to 38,228 starts as a provincially sponsored construction program ended and a new provincial goods and services sales tax was introduced. With a modest rebound in the economy and in employment, consumer confidence is expected to improve sufficiently to attract enough move-up buyers resulting in a turnaround in single-detached starts in 1993 with further gains in 1994. The current glut on the rental market will, however, delay the recovery in multiple unit construction until 1994. The net result will be a modest increase in total starts to 40,200 units this year followed by more robust gains to 44,000 units next year.

## **Ontario**

Deflation pressures continued in the Ontario housing market during 1992 as the new house price index declined for most CMAs in the province. First-time buyers came out in force spurred by lower interest rates and government ownership support programs, helping the resale and new markets to post modest growth. Total starts reached 55,772 units. A recovering U.S. economy, a lower dollar, and improved demand from the domestic market should contribute to higher manufacturing shipments and employment this year and next. Only modest housing gains are expected in 1993 as starts reach 58,200 units with lower

assisted multiple unit starts offsetting part of the rise in single-detached dwellings. Additional gains in single dwellings and a reversal of the trend in multiple unit starts should boost new construction to 67,200 units in 1994.

## **Manitoba**

Last year saw the first increase in single-family starts in Manitoba since 1986. Total starts rose 18 per cent to 2,310 units from a record low in 1991. Resale activity also rose strongly as a result of low interest rates, improved consumer confidence and federal housing programs. Output gains in the province's manufacturing sector are expected to help the economic recovery gather momentum this year and next. Total starts will reach 2,900 units in 1993, climbing to 3,850 in 1994 as a stronger economy and higher employment levels boost housing demand.

## **Saskatchewan**

New housing construction almost doubled during 1992 in Saskatchewan, reaching a level of 1,869 starts. In 1993, improved access for first-time buyers, the move of some large employers to Regina and better prospects for the industrial and mining sector will benefit urban centres. But prospects are not favourable in rural areas: already suffering from low crop prices, they were adversely affected by the worst harvest in history. As well, migration out of the province is expected to increase as employment prospects in nearby provinces improve. As a result of these offsetting trends, new housing construction is expected to increase by less than ten per cent this year to 2,050 units and to rise slightly to 2,100 units in 1994.

## **Alberta**

Alberta housing markets recorded their best year of the past eleven in 1992. Housing starts totalled 18,573 units, an increase of 49 per cent over 1991. Resale housing was also characterized by another record year for sales volumes. While economic performance remained weak and net immigration dropped to the lowest level since 1988, the ownership market thrived on the release of pent-up demand made possible by low mortgage rates, an affordable housing stock and government programs such as the five per cent down payment option. With greatly reduced levels of pent-up demand for starter houses, the market for new homes will instead be supported by improved economic and employment growth this year and next. Total starts are expected to drop slightly to 17,600 units in 1993 before reaching 19,000 units in 1994.

## **British Columbia**

In contrast to most other provinces, housing markets reached new highs in British Columbia during 1992. Record migration, lower mortgage rates and federal housing programs pushed new housing starts to 40,621 units, the second highest mark for the province. Constraints on new production such as a scarcity of single-family lots in parts of Vancouver and Victoria contributed to higher prices and strong demand for row housing and condominiums. In 1993 and 1994, a stronger export sector and continued strong migration will boost B.C.'s economy and bring new home construction to new highs of 44,400 units this year and 45,000 in 1994. ■

# Canada

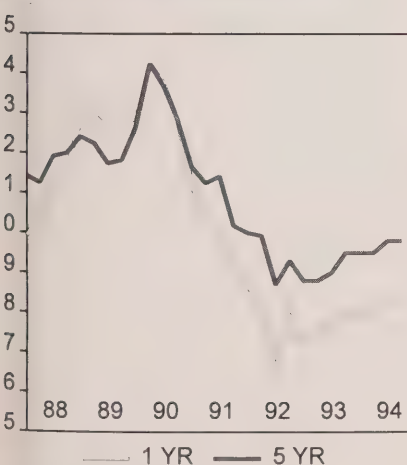
by Gilles Proulx



## Housing Starts Conclude 1992 on Steady Note

Showing resilience in the face of higher mortgage rates during the fourth quarter, housing starts held to the gains achieved earlier in the year. At 175,000 units seasonally adjusted at an annual rate (SAAR), they were only slightly lower than the level of 176,000 units SAAR of the third quarter. Resale market activity declined more significantly, with sales through the Multiple Listing System (MLS)\* at 326,000 units SAAR compared with 340,000 units SAAR in the previous quarter.

### Mortgage Rates per cent Major Financial Institutions



SOURCE: Bank of Canada Review.  
1993-94 CMHC forecast.

While mortgage rates were somewhat less favourable than in the third quarter, economic activity provided an offsetting positive influence. Employment has been rising gradually since August, as a result of strengthening in merchandise exports, retail sales and manufacturers' shipments. Although interest rates rose suddenly in the September-November period, they have gradually been easing since then as the Canadian dollar stabilized on currency markets.

Fourth quarter activity brought total starts for the year to 168,271 units, up 7.7 per cent from the 1991 level. Both single and multiple-unit markets shared that gain: construction started on 92,851 single-detached dwellings, up 7.3 per cent from 1991, while construction of multiple-unit dwellings was up 8.3 per cent to 75,420 units. On the existing market, units sold through the MLS rose by 8.6 per cent, reaching an all time high of 327,000 units. The average resale price, however, was up less than one per cent with diverging regional trends. The averages were up around 13.1 per cent in British Columbia and down 6.3 per cent in Ontario, while they changed only marginally in other provinces.

The 1992 market was favourable to first-time buyers due to low interest rates, buyers' market conditions, and national programs making

home ownership easier. Mortgage interest rates averaged 7.9 per cent for the one-year term in 1992 compared with 10.1 per cent in 1991. More than 63,000 loans were made under CMHC's First Home Loan Insurance, which allowed loan to value ratios of up to 95 per cent for first-time buyers. As well, the Minister of Finance reported in his December 2 Economic Statement that more than 130,000 withdrawals had been made from RRSPs under the Home Buyers' Plan. The strength of the first-time buyer market contributed to stronger activity in the resale market especially at entry level types of houses, holding the average value of transaction down in many markets. Move-up markets remained in the doldrums due to continued job losses, price stability and low consumer confidence.

On a regional basis, western provinces posted the strongest results. Sustained economic activity and strong migration boosted housing market activity in British Columbia, while starts bounced back from very low levels in the Prairie provinces. Ontario starts rose 5.6 per cent, close to national trends. Quebec starts dropped 14.4 per cent from 1991 when activity was sustained by a construction support program

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



sponsored by the provincial government. Atlantic provinces recorded mixed results as starts dropped in Newfoundland and Nova Scotia while they rose in New Brunswick and P.E.I.

## 1993-94 Outlook

### Subdued Recovery on Firmer Ground

As 1992 ended, there were accumulating signs that the economic recovery was moving on a more solid footing. In addition to the good level of activity on housing markets, the performance of retail sales was signalling that consumers were slowly shifting their attitudes, willing to spend, even though they were still confronted with serious financial problems including debt levels and job market concerns. Export sales were also strengthening because of a resurgence of growth in the U.S. economy and a better cost competitiveness in Canada partly due to the lower dollar. This resulted in growing output and signs that employment was rising more convincingly.

Economic recovery is expected to build up gradually over the forecast horizon, yielding GDP growth of 3.1 per cent this year and 3.7 per cent in 1994. Although this performance is substantially faster than the estimate of 1.1 per cent achieved last year, it pales compared with that of the Canadian economy as it emerged from past recessions. Furthermore, the dramatic restructuring of many sectors of the economy that yielded a strong productivity performance in recent years is expected to continue. As a result, employment levels are expected to grow by less than two per cent per year in both years. The creation of about 175,000 jobs this year and 250,000 in 1994 following

a decline of 100,000 jobs in 1992 will, nonetheless, make possible a gradual build up of consumer confidence. In fact, 1993 job creation performance will be the best since 1989.

The economic rebound will benefit from a gradual recovery of the U.S. economy, improved competitiveness of Canadian producers due to a lower dollar and a better domestic inflation performance. At the same time, this recovery is expected to remain subdued because of the speed of the U.S. recovery and the slow build up of demand for Canadian products.

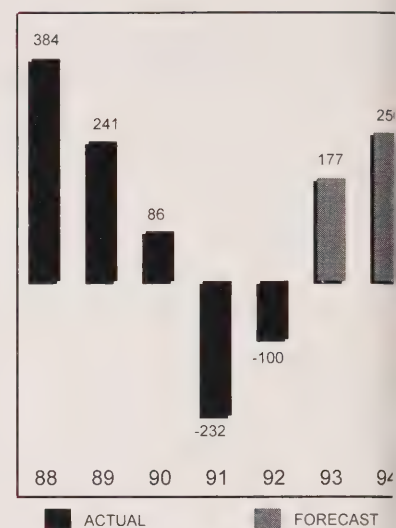
The recovery in the economy and job markets will provide one more ingredient needed for a more sustainable recovery of the housing market. It will also benefit from the continuation of low mortgage interest rates. The one-year mortgage rate is expected to remain below eight per cent for most of 1993 and to rise only slightly above that level next year. Five-year rates are expected to remain below 10 per cent over that period.

On a regional basis, all provinces are expected to post increased output activity in 1993 with GDP growth in P.E.I. at around 4.5 per cent, and B.C. and Ontario at around 3.5 per cent. In 1994, the largest provinces will see the most significant growth.

### Construction Trends Diverge for Single and Multiple Units

Housing markets are expected to record modest progress in 1993, with total starts of new homes rising by 5.2 per cent to 177,000 units. Underlying the overall trend will be two diverging performances for starts of single-detached dwellings and multiple units. Growth will be limited to the single market due to a favourable economic environment.

### Net Employment Change Thousands of Persons CANADA



SOURCE: Statistics Canada.  
CMHC: Forecast.

Multiple unit construction will decline in reaction to imbalances in many segments of that market. In 1994, the correction of some of these imbalances as well as the blooming economic recovery will lift construction activity by nine per cent to 193,000 units.

Regionally, Ontario and Quebec are expected to register performances similar to national trends in 1993, with increases in housing construction close to the national average. British Columbia will record another strong performance with new home construction rising to a record high. Manitoba and Saskatchewan will also record again strong performances, while Alberta starts are expected to decline following a substantial release of pent-up demand in 1992. Starts will also decline in P.E.I. while they are expected to increase slightly faster than the national average in the other Atlantic provinces.

Many favourable factors will support an increase of single construction starts to 106,000 units this year. The 14.2 per cent increase will

flow from an environment characterized by a more solid economic recovery, attractive mortgage interest rates and firming real estate prices on the existing market. The single-detached market will also benefit from a gradually stronger presence of move-up buyers. These forces will also be at work in 1994, pushing starts up by 9.4 per cent to 116,000 units. The solid showing of the single-detached market will result mainly from strong performances in Ontario and Quebec following several years of disappointing results. In the West, activity will remain strong but Alberta will see some decline this year and British Columbia, next year.

Activity on the multiples market will suffer from several imbalances including high vacancy rates on the rental market, an abundance of newly completed and unoccupied condominium units, and lower demand for semi-detached dwellings and row housing as demand by first-time buyers cools down in 1993. As a result, construction of multiple units is expected to fall by about six per cent this year to 71,000 units. As lower activity corrects some of these imbalances, construction is expected to recover in 1994, rising 8.5 per cent to 77,000 units. Again, the national trend reflects mainly the situation in Ontario and Quebec, the two provinces where 1993 corrections will be concentrated. Activity will also decline this year in Alberta, New Brunswick, Manitoba and P.E.I.. Only B.C. markets will record large increases in multiple-unit construction.

Record vacancy rates will cause a drop in apartment construction this year. As of October 1992, the apartment vacancy rate in metropolitan areas (CMAs) had risen to 4.8 per cent, up from 4.4 per cent in April 1992 and October 1991. Much of the decline will be

concentrated in rental apartment construction in Quebec and Ontario.

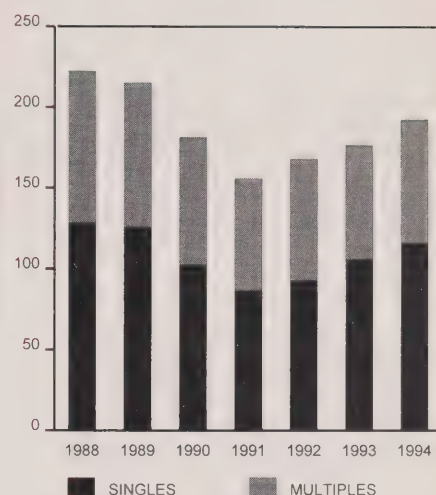
The declines in apartment construction, however, will not be as large as current vacancy rates would suggest. One reason is that new products on the market can be competitive because of better financing conditions and overall better cost due to more readily available land, materials and labour than was possible for products built over the recent past. The net result of a more vigorous economy and lower construction will be a progressive reduction in the vacancy rate at the national level to 4.6 per cent at the end of 1993 and 4.3 at the end of 1994.

Resale market activity is expected to improve further in 1993 and 1994. The gains in unit sales will, however, be more moderate than in 1992 when activity was boosted by strong advances in the first-time buyer market. Unit sales are expected to increase by 1.9 per cent this year and by 3.3 per cent in 1994.

Resale prices will also record somewhat larger increases consistent with a slight appreciation in real terms and with a broader base of transactions less concentrated on the first-time buyer market. The average transaction price is expected to rise by 3.4 per cent this year and by 5.1 per cent in 1994. This year, average prices will be higher in all provinces except Ontario where a slightly lower level is expected. In both 1993 and 1994, British Columbia is expected to register the largest price increases at close to eight per cent this year and seven per cent in 1994.

The New House Price Index is less affected by mix variations as it measures price changes for specific types of houses. Under this measure, residential real estate prices will start increasing again in 1993. Prices dropped by 6.9 per cent in

### Housing Starts Units Thousands (Annually) CANADA



SOURCE: CMHC.  
1993-94 Forecast

1991 as a result of declines in half of the CMAs. In 1992, the index was unchanged as declines in southern Ontario offset increases elsewhere in most other CMAs. For 1993, the average is expected to rise by 2.5 per cent with local prices ranging from a fairly stable level in Toronto to increases of 10 per cent in Vancouver. In 1994, the expected increase is 3.0 per cent with a somewhat narrower range than this year. In short, the excesses of the 1980s seem to have been corrected. Prices will rise at a rate in line with overall inflation trends, with local differences indicating the weaker markets and the stronger ones. ■



# Newfoundland

by Mac Woodman and Brian Martin



## Highlights

- Modest gains forecast for housing markets in 1993 and 1994.
- Continued out-migration and high unemployment will maintain housing starts at low levels.

## Lowest Housing Starts in 26 Years

Job losses and low consumer confidence lead to the poor performance in the provincial housing market in 1992. At 2,271 units, housing starts fell to their lowest level since 1966. Fourth quarter activity remained weak particularly in rural areas, reflecting the impact of the northern cod moratorium. Single-detached starts tumbled 24.5 per cent to 1,611 units while multiple unit construction was off 5.8 per cent to 660 units. Increased enrollment at educational institutions combined with limited supply of larger rental projects contributed to a lower apartment vacancy rate in the St. John's area of 5.6 per cent in late 1992.

The short-term rise in interest rates during the fourth quarter of 1992 provided mild stimulus to the existing homes market as prospective buyers waiting for rates to bottom out finally made a move. Increased activity in the latter part of the year was not sufficient to offset declines during the

spring and summer months. MLS sales in the St. John's region declined 4.4 per cent from 1991 levels to 1,720 units. The introduction of 95 per cent financing combined with favourable interest rates limited the overall decline in sales. Average price of a resale home rose a modest 0.9 per cent to \$91,959. Including the Central Region, total MLS sales for the province fell 3.3 per cent to 1,829 units with average sales price advancing 0.8 per cent to \$91,590.

## 1993-94 Outlook

### Hibernia Go Ahead Provides Much Needed Boost

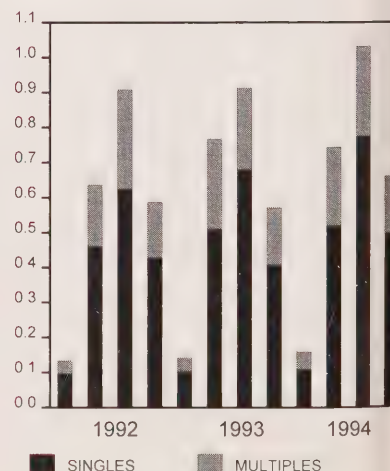
Following an estimated 2.8 per cent decline last year, provincial economic output is forecast to grow a modest 1.5 per cent in 1993 before advancing 2.5 per cent in 1994. Non-residential investment related to the Hibernia project will be the major contributor to economic growth in 1993-94. Further reductions in fisheries output and continued weakness in other key industries will constrain economic expansion this year.

Resolution of financing arrangements has lifted the cloud of uncertainty and instilled renewed confidence in the Hibernia project. Construction expenditures on the project are forecast at close to \$1.0

billion annually in 1993 and 1994. The project will create an estimated 2,500 person years of direct employment this year and generate slightly more than \$100 million in provincial wages and salaries.

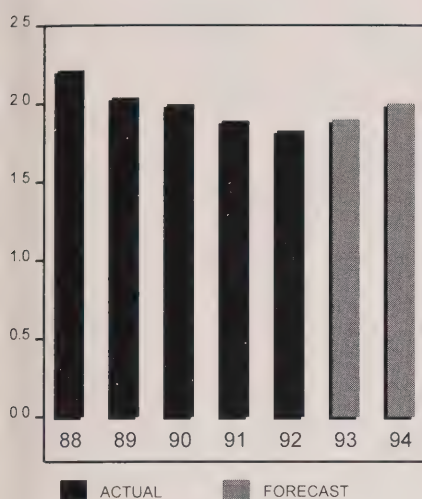
Quota reductions in key fish stocks combined with the continuation of the northern cod moratorium will lead to further declines in fisheries output in 1993. Then in 1994, the scheduled lifting of the northern cod ban at mid-year will support marginal gains in both the fishing and manufacturing industries. Output in the mining industry will improve marginally this year largely due to full year production at the Hope Brook gold mine. Increased demand for iron ore stemming from an improved performance in the

**Housing Starts**  
**Units Thousands (Qtrly)**  
**NEWFOUNDLAND**



SOURCE: CMHC.  
1993-94 Forecast.

## Residential MLS Sales Units Thousands NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

## Modest Gains in Housing Market Activity

Favourable interest rates, a gradual improvement in consumer confidence and the continuation of government initiatives will contribute to marginal gains in housing market activity over the forecast period. Continued out-migration and high unemployment will, however, maintain residential construction at low levels. While housing starts in urban centres will strengthen, activity will remain weak in rural areas reflecting the downturn in the fishery. Total starts will advance 5.7 per cent to 2,400 units in 1993. Sustained growth in economic and labour market conditions will boost housing starts to 2,600 units in 1994. Following a 24.5 per cent decline in 1992, single-detached starts will rise to 1,700 and 1,900 units, respectively, in 1993 and 1994. Multiple unit starts will continue to be concentrated in single-detached homes with accessory apartments. Limited private investment in larger rental projects will maintain multiple starts at 700 units in both 1993 and 1994.

Following four years of steady declines, the resale market is expected to record modest gains over

the forecast period. Low interest rates and confirmation that the Hibernia project is proceeding will raise consumer confidence and lure prospective homebuyers back into the market. Access to affordable homeownership through 95 per cent financing will continue to stimulate existing home sales to first-time buyers in 1993. When combined with increased demand from the move-up market, total MLS sales for the St. John's region are forecast to rise 4.7 per cent to 1,800 units in 1993 before advancing to 1,900 units in 1994. MLS sales in the Central Region will approximate 100 units this year and next. Sales of lower priced entry level homes will limit price growth of total provincial MLS sales to 2.1 and 3.2 per cent, respectively, in 1993 and 1994.

A gradual improvement in demand for rental accommodation in the St. John's region over the forecast period will be offset by increased supply of seniors units. Vacancy rates are forecast to range between 6 and 8 per cent in both 1993 and 1994. Rental rates for above average-quality accommodation are expected to advance by 2 to 3 per cent in both 1993 and 1994. ■

### Key Provincial Indicators Newfoundland

	1992 1	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	-2.8	1.5	2.5
Employment (% Change)	-4.4	-0.5	3.2
Unemployment Rate (%)	20.2	20.4	19.9
Housing Starts (Units)			
Total	2271	2400	2600
Singles	1611	1700	1900
Multiples	660	700	700
MLS Sales (Units)	1829	1900	2000
Average MLS Price (Dollars)	91590	93500	96500

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.

North American economy will increase output in 1994.

The guaranteed income component of the northern cod compensation package and the green light for Hibernia will lead to a gradual improvement in consumer confidence and provide mild stimulus to retail trade over the forecast period. The threat of additional public sector cut-backs at the provincial level will temper consumer demand. Advances in construction and service will be more than offset by declines in primary and manufacturing industries with employment forecast to fall 0.5 per cent in 1993. Employment will grow 3.2 per cent in 1994 as overall economic conditions strengthen. Labour force changes will maintain the province's unemployment rate in the 20 per cent range during 1993 and 1994.

Limited employment prospects at home and a stronger recovery in the economies of Central and Western Canada will prompt more individuals to leave the province in 1993. Total net migration is forecast at -3,200 persons in 1993 before declining to -2,000 persons in 1994.



# Prince Edward Island

by Ralph Freeze



## Highlights

- Economy to benefit from big projects.
- Housing starts in 1993 shrink due to apartment glut.
- Resale activity picks up in late 1993.

## Second Half of 1992 Boosts Starts

Housing starts in 1992 climbed 16 per cent over 1991 levels after a strong second half showing.

Although improvements were experienced in rural areas, the majority of growth in the latter part of the year came from the urban communities.

The bright spot during 1992 was Summerside. After three years of decline, the economy and the housing sector experienced growth. Construction of the GST centre and the anticipation of hiring provided positive economic factors. Apartment construction resumed for the first time since early 1989. Urban housing starts would have declined in 1992 if not for the turnaround in Summerside as Charlottetown slipped for the fourth year in a row.

Residential resale activity on P.E.I. struggled in 1992, in contrast to the national trend. Low mortgage rates and stable, or slightly declining

prices, were not enough to overcome the high rate of unemployment. Job and wage insecurity have affected most of the Island's industries. In response to these conditions MLS sales dropped by 19 per cent. The average sale price increased by seven per cent due to a larger portion of total sales from the higher priced Charlottetown market.

## 1993-94 Outlook

### Optimism for the Economy Building

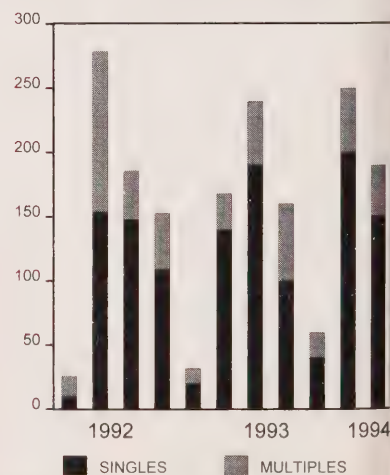
Growth in the economy is forecast to take-off in 1993 after two years of disappointment. Although the provincial figures will exceed four per cent, growth will be concentrated in the western section between Borden and Summerside. This forecast assumes that the fixed link project will proceed with substantial investment occurring this year. An estimated 600 direct and 400 indirect jobs generated from the project will see benefits trickle province-wide. Construction and transportation related industries will show the most growth during the start-up period.

Hiring for the GST centre in Summerside is expected to be completed in 1993, ready for operation in October. This will inject \$13 million in annual salaries to the region for an

estimated 400-500 positions. The greatest impact from the tax processing centre will occur in 1994 after a full year of operation.

Agriculture, tourism, and the public sector will do well if they maintain 1992 levels. Potato prices in early 1993 represent about half of the estimated cost of production. Although the US border has reopened to P.E.I. potatoes, traditional North American markets have been lost for this year. Tourism is only expected to provide minimum growth over last year, while the public sector is strapped with reductions and restraints.

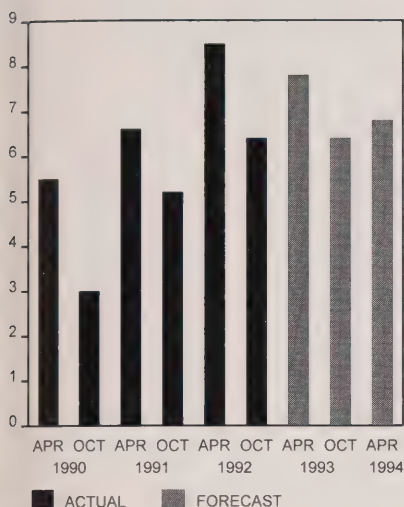
**Housing Starts**  
**Units Thousands (Qtrly)**  
**PRINCE EDWARD ISLAND**



SOURCE: CMHC.  
1993-94 Forecast.



### Charlottetown Vacancy Rate 3 units or more, privately initiated) Per Cent



SOURCE: CMHC.

### New Construction Slips Due to Fewer Apartments

The new home market will not reap the benefits of an improving economy until late 1993 and 1994. Work on the fixed link will not begin in earnest before April (based on current schedules) and operation of the GST centre is not expected until October. Starts are forecast to drop by seven per cent to 600 units in 1993 followed by a five per cent increase to 630 units in 1994.

Low mortgage rates and renewed confidence will lead single family home construction to 450 units from 421 in 1992. After two years of low consumer confidence it will take a sustained period of increased activity before consumers are ready to commit to new home construction.

The Summerside and surrounding areas will see the greatest increase in starts of single family units due to the proximity of the two major projects. It will also be the area to benefit from in-migration. The Charlottetown area, which traditionally accounts for

at least half of total single starts, will be lacking a direct economic stimulus.

Multiple unit starts are forecast to decrease by 33 per cent in 1993 to 150 units, dropping again in 1994 to 130 units. Continued high vacancy rates in Charlottetown will be the major drag on new apartment construction. Economic activity in the western region of the province will attract rental demand from central P.E.I. Although this will stimulate some new construction in the Summerside area, current supply of rental stock (including ex-military units) is expected to be utilized. Adding to the decline in multiple unit construction is the drop in social housing budgets.

### Resale Market Heats up in Second Half of 1993

Attractive mortgage rates and employment growth will generate increases in MLS sales over the forecast period. Resale activity is expected to improve to 700 sales in 1993, and increase to 750 homes

in 1994. Potential first-time buyers will continue to be hesitant to purchase until there is evidence of an improving economy. Last year, the record number of listings in the Charlottetown area, stable rents and home prices, gave a clear picture of a buyer's market across the province. Waiting for a better "deal" was appropriate. Since these conditions will remain in the first half of 1993, the second half is expected to be very strong.

Rural communities between Charlottetown and Summerside will see an increase in demand for existing homes. The economic activity around the Summerside area will result in a growing number of households with members employed in both locations. Under these conditions, some rural communities will see existing houses sell much faster than in the past.

Average MLS prices are forecast to increase by one per cent in 1993 and again in 1994. Increasing demand in Summerside will boost prices in that area for the first time in three years. ■

### Key Provincial Indicators Prince Edward Island

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	0.5	4.6	2.3
Employment (% Change)	-0.2	1.5	1.5
Unemployment Rate (%)	17.7	17.0	16.4
Housing Starts (Units)			
Total	644	600	630
Singles	421	450	500
Multiples	223	150	130
MLS Sales (Units)	604	700	750
Average MLS Price (Dollars)	75570	76640	77400

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.

# Nova Scotia

by André Moore, Sally Erskine and Anne Traboulsee



## Highlights

- The economy will continue to recover at a slow rate.
- Existing home sales will continue to show strength in 1993.
- Single home starts will increase in 1993 and 1994, spurred on by improvements in the economy and favorable financial conditions.
- Weak rental demand will keep vacancy rates high.

## Housing Starts Strong Despite Economic Decline

Despite an overall decline in the economy in 1992, housing starts activity finished at 4,673 units in total. Single-unit starts rebounded from 1991, while multiple starts increased sharply towards the end of the year, in spite of high vacancy rates. Existing home sales were at an historical high, approximately 16 per cent above 1991 levels. Factors which stimulated continued activity and growth in housing include the existence of two federally initiated home buying programs, along with low interest rate financing.

The Nova Scotia rental market continues to be soft, yet construction remains strong in relation to overall

demand for rental units. Low interest rates and federally incentive programs for home buyers have both contributed to the weakening demand in the rental market in 1992. In Metro Halifax, for example, the apartment vacancy rate rose to 5.7 per cent in October 1992, the highest rate in 29 years.

## 1993-94 Outlook

### End to Recession in Sight

Nova Scotia's economy contracted for the second consecutive year in 1992. Although some provincial economic indicators showed positive signs in the last half of the year, an emerging recovery is not clearly identifiable. Nonetheless, the economy is expected to continue moving toward recovery in 1993 and 1994.

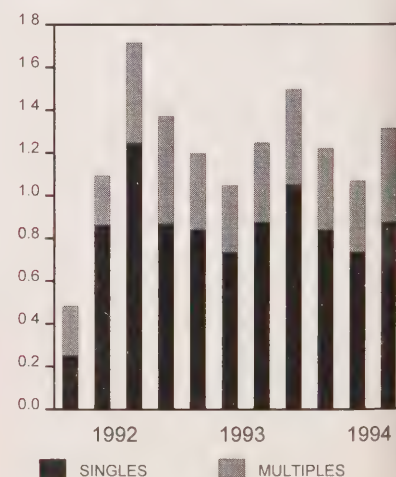
The main factors which will contribute to the recovery include, the continued strengthening of manufacturing and export sales, and a rebuilding of business and consumer confidence, based largely on pent-up demand, favorable financing, and stable prices. In addition a modest number of large scale investment projects, such as new highway and hospital construction, offshore oil production, ship building, power and telecommunication projects, will contribute to economic growth.

A sharp erosion of employment has occurred as a result of the recession. While 10,000 fewer people

were employed last year, 6,000 stopped actively seeking work and left the labour force. A large proportion of the job losses in 1992 occurred in resource-based rural communities. The employment situation throughout the province will show mild improvement in 1993 and 1994.

The relatively weak economy in 1992 has encouraged out-migration to other provinces. However, this trend has been more than offset by the growth in international migration to Nova Scotia. In total, net migration is estimated at 800 people in 1992. This figure will increase in 1993 and 1994 to around 1,200 in concert with improvements to the employment situation in the province. Higher levels of employment and net migration

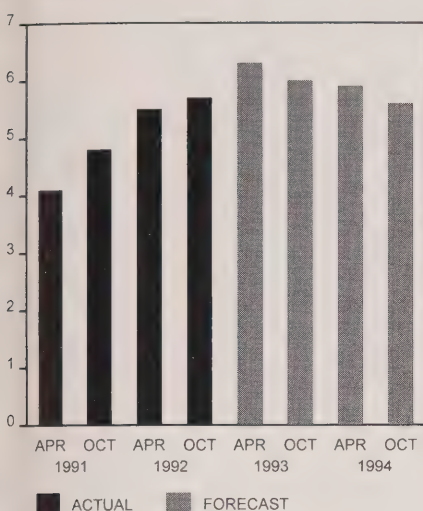
**Housing Starts**  
Units Thousands (Qtrly)  
**NOVA SCOTIA**



SOURCE: CMHC.  
1993-94 Forecast.



### Halifax Vacancy Rate (3 units or more, privately initiated) Per Cent



SOURCE: CMHC.

followed by 6,500 sales in 1994. Although the sales of existing homes are forecast to be lower than the 1992 levels, they will be well above the historic average.

The forecast high-level of sales will not have a significant impact on sale prices. This is largely due to the high proportion of first time buyers entering the market, purchasing lower priced housing. As in past years, price growth is forecast at roughly the rate of inflation for 1993 and 1994. The average sale price is forecast at \$90,100 for 1993, and at \$91,700 for 1994.

Multiple unit starts, both freehold and rental, soared toward the end of 1992. Many developers continue with plans to build, stimulated by low interest financing and relatively low priced land, materials, and labour. These developers recognize that

absorption rates for apartment units will be slow in the short term but are looking at the long term. Multiple starts are forecast to increase throughout the next two years, to 1,500 units in 1993, and 1,600 units in 1994.

Rental demand is expected to remain weak through 1993, in part because existing tenants will be attracted into homeownership, taking advantage of favourable housing market conditions and the final year of the First Home Loan Insurance program.

In Metro Halifax, additional rental apartment completions and conversions will further increase the apartment supply in 1993 and 1994, pushing the vacancy rate up to 6.3 per cent in April 1993 before gradually declining to 5.9 in April 1994. ■

### Key Provincial Indicators Nova Scotia

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	-1.1	2.0	2.5
Employment (% Change)	-2.7	1.4	1.5
Unemployment Rate (%)	13.1	12.8	12.4
Housing Starts (Units)			
Total	4673	5000	5100
Singles	3232	3500	3500
Multiples	1441	1500	1600
MLS Sales (Units)	6769	6700	6500
Average MLS Price (Dollars)	88914	90100	91700

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.

will contribute to a strengthening of housing demand in Nova Scotia.

### Strong Housing Market Expected

Although from a historical perspective the level of new housing construction in 1992 was lower than average, it represents an important and positive contribution to the housing market and economy. The forecast for housing starts in 1993 and 1994 are based on a slow but steady economic recovery in the province, occurring over the next few years. A total of 5,000 units are forecast to be started in 1993, followed by 5,100 units in 1994. Single-detached house starts are forecast to increase by five per cent in 1993 and by three per cent in 1994.

Sales volumes in 1992 were supported by favourable financing and home owner incentive programs combined with low and stable house prices. These favorable conditions are expected to continue into 1993, generating strong sales of existing homes at 6,700 units. This will be



# New Brunswick

by Bruce Read

## Highlights

- Economic growth will foster increased housing activity
- Move-up buyers more prominent during 1993
- House price increases will remain low

## Full Recovery in 1992

In 1992, the housing markets in New Brunswick experienced good growth, for the second straight year. Residential investment in 1992 which increased by 20 per cent pushed total housing starts above the 3,300 mark for the first time since 1989. Although improvements in the single-family market were notable, low mortgage rates and growing demand for rental accommodation stimulated even bigger gains in the multiple unit market. The production of apartments and other multiple family unit types that reached 728 in 1991 leaped ahead by almost a third topping the 900 unit level by year end.

The resale market also began to show signs of solid growth during 1992. Sales that had sagged to 3,259 in 1991 grew to 3,550 last year. The Fredericton market took the lead with sales swelling by more than 10 per cent. Smaller increases also occurred in the other major trading areas of Moncton and Saint John. Improving market conditions in the second half of the year enticed an increasing number of move-up buyers back into the marketplace as evidenced by the sale

of some of the larger more expensive homes. The new supply associated with these incoming buyers helped increase the number of homes on the market by close to four per cent. The growing supply of homes for sale kept price increases at a modest level. The average price of homes selling through the local real estate boards moved up by only 2.2 per cent to \$82,688 in 1992 from \$80,897 in 1991.

## 1993-94 Outlook

### Economic Prospects Favourable

The New Brunswick economy will grow faster in 1993 than it has in the past three years. The economy, which displayed only marginal growth in 1992, will expand by a healthy 2.3 per cent in 1993. Improving U.S. export markets will underpin this growth and provide the stimulus necessary to get the economic machinery in motion.

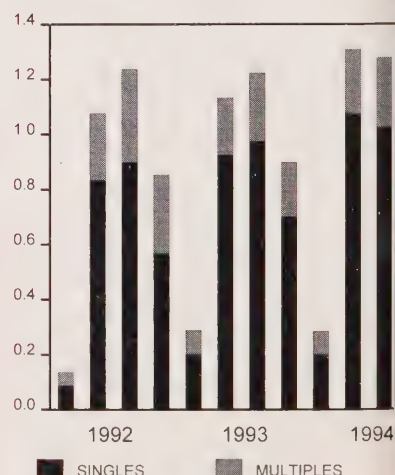
The service sector will play a major role in the economic recovery. The upturn will be led by growth in the retail trade and business service industries. The growing spread between the Canadian and American dollar, which has been acting as a strong disincentive to cross border shopping, will continue to support a strengthening of the retail industry across the province.

The construction industry, which lost 2300 jobs over the past two years,

will get a strong boost from the recently announced go ahead of the N.B.-P.E.I. fixed link bridge and other major improvements to the TransCanada Highway. The forestry sector as a whole will display modest growth in 1993. Unfortunately the growth will not come from the more important pulp and paper sector. Low prices, high inventories and cheap imports will continue to plague the industry throughout 1993. On a brighter note, lumber markets will continue to enjoy buoyant market conditions.

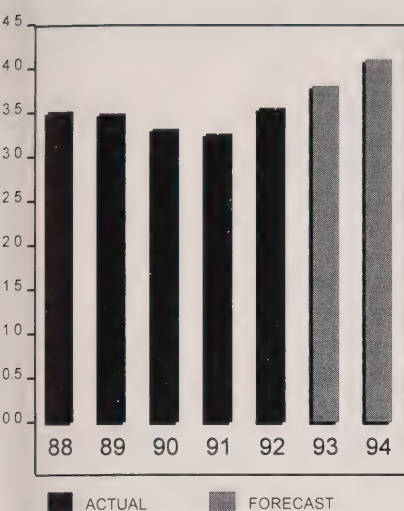
As a result of the strengthening economy, employment in the province will increase by 5,000 this year and by 6,000 in 1994. The unemployment rate will, however, not drop much below the 12.4 per cent mark in 1993.

**Housing Starts**  
Units Thousands (Qtrly)  
**NEW BRUNSWICK**



SOURCE: CMHC.  
1993-94 Forecast.

## Residential MLS Sales Units Thousands NEW BRUNSWICK



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

## Housing Markets to Expand in 1993

The housing market that regained a solid footing in 1992 will post continued growth during 1993. Expanding employment rolls and associated rising consumer confidence will support mounting demand for housing throughout the year. These conditions, in combination with continued low mortgage rates, will spell better times ahead for the housing industry.

The resale market that experienced a record sales year in 1992 will carry on to lead the industry in 1993. Relatively low prices and good supply will draw many first-time buyers into the market early in the year. Move-up buyers who were sidelined by job security considerations will also be returning to the marketplace in hopes of upgrading before prices increase. Resulting improvements in demand will push sales in 1993 and 1994 to record levels. The Fredericton market area is forecast to outperform all other centres in this respect, and post growth at the nine per cent level. Saint John, as well as Fredericton and the Northern New Brunswick trading areas, will each individually

reach record sales levels over the forecast period.

Price increases in the resale market will remain modest. The average price of homes selling through the local real estate boards, which rose by close to two per cent in 1992, will advance by an additional three per cent this year and next. The growth in price increases will come as a result of the changing mix of units sold (more larger move-up units) rather than from rising inflationary pressures.

Following a 15 per cent increase in the number of new homes started in 1992, builders in New Brunswick will see their market grow by a more modest seven per cent, to 3,550 starts, this year. The new construction market will grow by an additional 10 per cent in 1994, bringing total housing starts in that year to 3900 units.

The multiple-unit market that displayed stellar performance in 1992 will slow over the forecast period. Multiple starts that reached the 900 plus level in 1992, will drop back to 750 this year before regaining some ground in 1994. Supply driven increases in the vacancy rate, in combination with moderating demand, as some renters move into homeowner-

ship will be at the heart of the downturn in construction levels.

The single family market will continue to display good growth during this year and next. Pent up demand will continue to support increased activity in both the first-time and move-up markets. First-time buyers who were scared off last fall by the rise in mortgage rates will be back in the marketplace this spring. Similarly, move-up buyers who now feel more secure about their current job status will be looking for opportunities to upgrade. Growth this year will be centered in the larger markets of Saint John, Moncton and Fredericton. Northern communities, which rely heavily on the weak forestry sector, will display little improvement over the outlook period.

The rental market in New Brunswick has been softening over the past year. The overall vacancy rate for the six major market areas jumped from 3.7 per cent in October of 1991 to 4.7 per cent this past fall. The near record level of rental units currently under construction will apply upward pressure on vacancy rates during 1993. ■

## Key Provincial Indicators New Brunswick

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	1.1	2.3	3.0
Employment (% Change)	1.1	2.0	2.0
Unemployment Rate (%)	12.8	12.4	12.2
Housing Starts (Units)			
Total	3310	3550	3900
Singles	2391	2800	3100
Multiples	919	750	800
MLS Sales (Units)	3550	3800	4100
Average MLS Price (Dollars)	82478	85074	87469

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



# Quebec

by Kim-Anh Lam



## Highlights

- 1992 marked the fifth consecutive annual decrease in residential construction activities
- Improved economy forecasted in 1993 but unemployment rate to remain high
- Moderate upturn in residential construction for 1993 and 1994
- Single-family construction will pick up momentum but rental construction will continue to slip in 1993

## Fifth consecutive annual decrease in 1992

There were a total of 38,228 housing starts in 1992, a drop of 14.4 per cent relative to 1991 which means that residential construction activities have declined for five years in a row in spite of the low interest rates. Construction was limited due to the large stock of vacant units (6,322 new units at the end of the year, or 20 per cent of the new stock) which has persisted over the past five years. The 7.5 per cent vacancy rate on the existing rental market in the province is the highest in twenty years.

The demand from move-up buyers was weak all year long. Consumer

confidence was shaky and the rate of unemployment continued to climb.

In the last quarter of 1992, residential construction activity was estimated at 39,000 starts (seasonally adjusted annual rate SAAR). The improvement over the preceding quarter was due to increased starts for both rental and condominium units in the Québec Metropolitan Area.

Construction activity for new detached houses (18,564 units) in 1992 dropped 25.6 per cent compared with last year. The end of the provincial "Deal Estate Program" reduced the popularity of semi-detached and row houses intended for the first-time buyer market. The number of these units contracted by 30 per cent, going from 8,124 units in 1991 to 5,673 units in 1992. The average price for single-family houses in the province leveled off at under \$103,000.

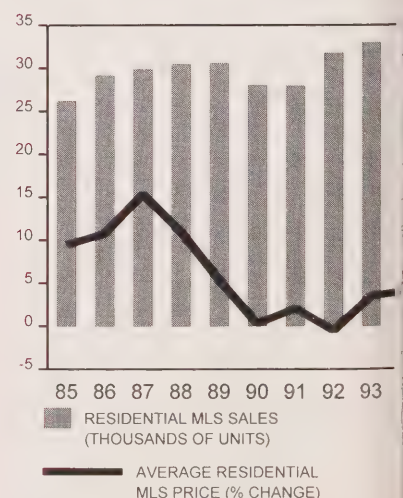
Condominium construction activity held its own in 1992, registering a slight increase of 1.5 per cent relative to 1991. This is due to the continued popularity, especially in the large urban centres, of the semi-detached Grow Home model which now accounts for 28 per cent of the new condominium market. The top-of-the-line market segment (models \$120,000 and over) remained inert in a market flooded with over 2,000 new vacant units.

Rental construction activity declined by 11.2 per cent but remained

higher than forecasted. Decreasing rental construction activity in Montreal was offset in part by an increase in activity in the Québec Metropolitan Area and in the small urban centres. New rental projects, earmarked for very specific client groups, could prove profitable due to low interest rates.

Contrary to the situation on the new market, the resale market in 1992 (a buyer's market) posted an upturn in activity due to stable prices, low mortgage rates and the federal homeownership incentive programs. Indeed, the resale market showed a 13 per cent upturn with 31,800 houses sold through the Multiple Listing Service but prices leveled off

## Average Residential MLS Price and Residential MLS Sales QUEBEC



SOURCES: The Canadian Real Estate Association  
1993-94 forecast by CMHC.



at \$102,500 due to the large number of houses for sale.

## 1993-94 Outlook

### Improved Competitiveness and a Stronger U.S. Economy Will Boost Exports

The economic performance, as measured by the GDP, after an increase of 0.9 per cent in 1992, will register a 3.0 per cent increase in 1993 followed by another 3.5 per cent increase in 1994. In 1993, there will be 48,000 new jobs created followed by 60,000 in 1994.

Hydro-Québec investments will continue to be substantial in scope, but will nevertheless be less than originally planned. Exports of lumber and pulp and paper as well as other manufactured products will increase due to increased competitiveness and to the recovery in the United States. Thus, we will start to reap some of the benefits of factory modernisation and company restructuring which led to 33,000 lost jobs last year. Moreover, renewed consumer confidence will once again be the green light for the creation of jobs in the service sector.

The unemployment rate, however, will remain high at 12.7 per cent in 1993 and then start to gradually edge down in 1994. After two years of job losses, many people will come back on the labour market, increasing the pressure on the latter.

### Moderate Upturn in Residential Construction

There will be a total of 40,200 starts in 1993, an increase of 5.2 per cent over last year. For 1994, the upturn will be in the range of 9.5 per cent with 44,000 starts. The upturn in the housing market, sustained by low

interest rates, will be moderate in 1993 due to the large stock of vacant units and to slow labour market growth.

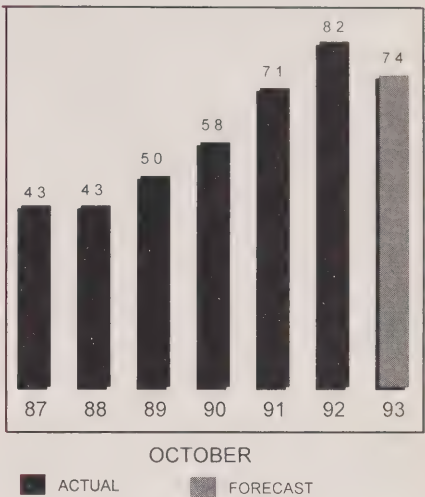
The construction upturn will be due to a surge in single-family construction (22,500 starts are forecasted for 1993 and 24,000 for 1994) to accommodate a gradual return to the market by move-up buyers after a two-year absence. Construction activity will flourish in a healthier economic climate where interest rates will still be very low, where house prices will grow slowly and where the federal programs allowing for minimum 5 per cent downpayments and for the use of RRSP funds will still provide additional construction incentives.

As for the construction on multi-family units, starts will decline in 1993 (17,700) and not really show any sign of a turnaround until 1994 (20,000). The main reason for this poor performance is that construction activity for semi-detached and row houses will continue to decrease since, the first-time buyer pool is being depleted. Secondly, the product is an alternative, especially during recessions.

In addition, the rental market will not be very conducive to new investments since it will still be hampered by high vacancy rates and a return on investment which has been lowered since the end of the capital gains tax exemption. The number of rental housing starts for 1993 will decrease by 9.8 per cent. For 1994, this number will swing back to a relatively normal level with an increase of 21 per cent. The provincial vacancy rates of 7.0 per cent for 1993 and 6.5 per cent for 1994 will only produce small rent increases, less than the rate of inflation.

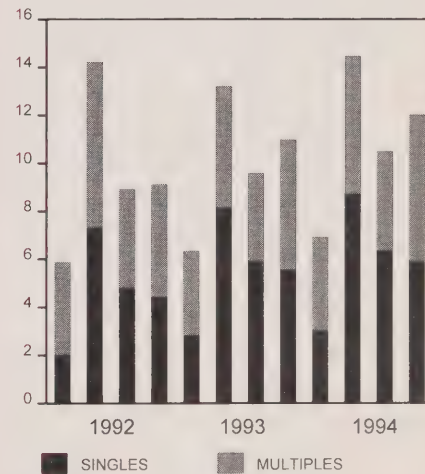
The number of condominium starts will remain at 5,000 in 1993 and will increase to 5,500 in 1994. This type of tenure offers easier access to housing ownership for

**Quebec Vacancy Rate  
(3 units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

**Housing Starts  
Units Thousands (Qtrly)  
QUEBEC**



SOURCE: CMHC.  
1993-94 Forecast.

first-time buyers in the large urban centres. Once the stock of high rise condominium units for sale starts to run low, late in 1994, the top-of-the-line condominium segment will become active once again.

The resale market will be stronger and better balanced. Demand will be sustained by renewed consumer confidence and attractive interest rates.

The number of MLS sales will total 33,000 for 1993 and 34,000 for 1994. For the first time in three years, the MLS average price will grow faster than the inflation rate with a jump of 3.5 per cent in 1993 and 4 per cent in 1994. ■

### Key Provincial Indicators Quebec

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	0.9	3.0	3.5
Employment (% Change)	-1.1	1.6	2.0
Unemployment Rate (%)	12.8	12.7	12.4
Housing Starts (Units)			
Total	38228	40200	44000
Singles	18564	22500	24000
Multiples	19664	17700	20000
MLS Sales (Units)	31734	33000	34000
Average MLS Price (Dollars)	102549	106100	110300

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

# Ontario

by Alex Medow

## Highlights

- Government home purchase incentives and more affordable prices brought out first time buyers
- Multiple unit home construction to drop
- Jobs and higher resale activity will push starts and home prices up

## Housing Market Review 1992

A weak economy, in 1992, kept new Ontario residential construction at near stagnant levels. Housing starts finished the year up a modest 5.6 per cent from the recessionary low in 1991. Construction costs for land and materials were still edging down in many markets at year end. Resale prices in most Ontario markets were stable or fell from last year, spurring increased sales activity. In response to stronger resale activity, seasonally adjusted single-detached home starts continued to trend upward in the fourth quarter. Construction of homeowner semi-detached dwellings and townhouses was pushed up over one third as a result of demand for affordable homes. Provincial and federal assistance programs boosted assisted multiple unit rental starts by 25.7 per cent. By year end multiple unit starts

had tapered off as elevated levels of assisted rental construction fell. High vacancy rates caused last year's private rental starts to drop. Condominium starts also declined due to strong price competition in overbuilt markets.

The introduction of federal programs reducing required down payments and the eligibility of RRSP funds for home purchases, combined with lower mortgage rates and the province of Ontario's Home Ownership Savings Plan brought first-time buyers out in force. CMHC insured over 25,000 five per cent down, first-time buyer loans in Ontario in 1992. Of these, 91 per cent were resale purchases. Brisk MLS sales activity dropped slightly in the fourth quarter. The interplay of two forces kept Ontario's average monthly MLS price stable in 1992. The large number of sales of modestly priced homes held prices down across all markets. At the same time there were proportionately more sales in the higher priced urban markets, such as Toronto.

Vacancy rates continued at historically high levels. High unemployment sent younger renters home or to double up; other renters, lured by government programs, lower prices and borrowing costs, became homeowners. Ottawa's employment stability kept the vacancy rate at 1.3 per cent, the lowest among Ontario's Census Metropolitan Areas (CMAs); while Oshawa, affected by restructur-

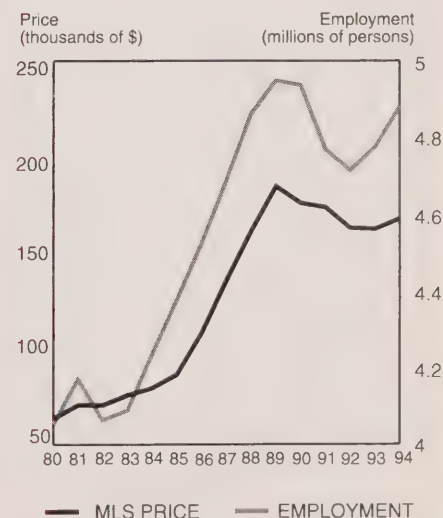
ing in the automotive sector, saw vacancy rates leap to 6.1 per cent, the highest since CMHC started surveying that area in April 1977.

## 1993-94 Outlook

### Economic Recovery Started

Ontario's employment, which is so important to housing demand, started recovering in August of 1992 amidst rising production as measured by real Ontario GDP growth. Ontario exports to recovering United States markets were stimulated by a lower Canadian dollar. The growth of manufacturing shipments, which began in mid 1992,

### MLS Price and Employment ONTARIO



SOURCES: Statistics Canada, The Canadian Real Estate Association.  
1993-94 forecast by CMHC.

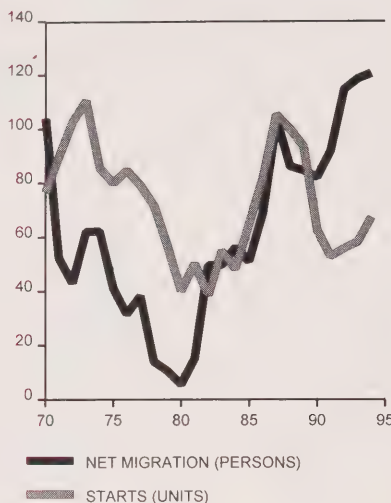


is expected to continue. Automotive, food and beverage, and telecommunications industries should experience solid production gains in the coming two years. With today's levels of automation in manufacturing industries, labour productivity is high and employment gains in the manufacturing industry are expected to be slow. The recovery stage of Ontario's employment cycle will see rapid labour force growth induced by the high net migration levels which Ontario continues to experience. But, the resulting larger labour force will raise the unemployment rate from 10.8 last year to 11.1 and 11.0 respectively during this year and in 1994.

At Ontario's current stage of recovery, indicators of consumer confidence remain mixed. Ontario passenger vehicle sales, lower for the year, have been on an upward quarterly trend since mid 1992. October's Retail sales inched up. High unemployment rates along with layoff and restructuring announcements spooked consumers in the fourth quarter. This was reflected by a drop in the Conference Board of Canada's fourth quarter Index of Consumer Attitudes for Ontario. Consumer confidence will grow with the employment recovery during the next two years and add to housing demand.

Net migration to Ontario, one of the few forces working to increase rental demand, will rise to record high levels in the near term. Ontario receives over half of Canada's immigrants and gained an estimated net 117,000 persons from abroad last year. High unemployment and deteriorated labour markets, especially when compared to British Columbia and Alberta, caused losses of people to other provinces. Net migration is anticipated to grow moderately over the next two years when an influx of people from the rest of Canada is expected to offset immigration declines due to quota cuts for refugees. Proportionately larger numbers

### Housing Starts Lag Net Migration (Thousands) ONTARIO



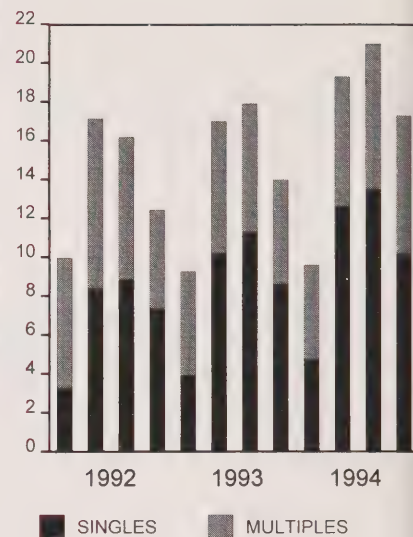
SOURCES: CMHC and Statistics Canada.  
1993-94 forecast by CMHC.

of refugees have tended to be attracted to Ontario's ethnic and social service networks. Net migration to Ontario will grow from 114,500 in 1992 to 118,500 in 1993 and 120,500 next year.

### Less Multiple Starts This Year

Ontario housing markets will continue to recover in the next two years, but home start levels will remain lower than in the second half of the 1980s. Residential starts are forecast to grow only 4.4 per cent in 1993, held down by a decrease in multiple unit starts. Non-profit and co-operative construction in Ontario will scale down, while high vacancy rates will inhibit private rental construction. Demand for affordable new homes is anticipated to push starts of semi-detached dwellings, homeowner townhouses and condominiums slightly higher than last year. Higher MLS resales and slowly evolving move-up purchasing activity will propel single home starts by 22 per cent in 1993 and a similar amount

### Housing Starts Units Thousands (Qtrly) ONTARIO



SOURCE: CMHC.  
1993-94 Forecast.

next year. Multiple unit home construction will rebound in 1994, pulled up by stronger employment growth coupled with a return of consumer confidence. Next year's home starts total is expected to grow faster, by 15.5 per cent.

Resale home prices are expected to remain fairly stable this year. Demand for affordable resale homes will continue as the five per cent down payment program and the extension of the use of RRSP funds for home purchases into 1993 sustains the first-time buyer presence in Ontario's home markets. Ontario's average annual MLS price will decline marginally, as employment and consumer confidence are still in the early stages of recovery. Affordable carrying costs and government incentives to home purchasers are expected to boost this year's MLS sales modestly higher than last year's. MLS sales will grow faster in 1994 when the pace of economic growth picks up. With a 3.3 per cent anticipated increase in 1994, the average MLS price growth should exceed inflation.

New home prices are expected to turn around this year, but increases will be modest. Demand for new homes will be propped up by rising MLS sales. Resale activity frees up home equity and allows some home sellers to move up into new construction. Move-up activity will evolve slowly because of the gradual employment recovery anticipated this year and the high rates of unemployment. Continuing fears of job losses will keep consumers edgy. The hard hit City of Toronto, which lost one in ten jobs in the last two and a half years, is anticipated to experience the slowest 1993 turn around in new home prices in Ontario. Moderate increases in Ontario's new home prices will occur next year, with the greatest New House Price Index increases occurring in London, Sudbury, Thunder Bay and Windsor (Ontario's CMAs which are furthest from recession ravaged Toronto). Home construction costs are expected to rise first and only then will land prices follow.

Vacancy rates are forecast to remain high, keeping private rental construction down. Rental demand will continue to be low, affected by first-time buyer movement from rental to ownership. A further decrease in the population aged 15 to 24, which tends to rent, and a slow employment recovery in this hard hit

age group will contribute to lowered demand. High net migration levels will act to counter the downward pressure on rental demand as a substantial portion of the Ontario residents rent while saving for a down payment or searching for a home. ■

#### Key Provincial Indicators Ontario

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	1.2	3.5	4.1
Employment (% Change)	-1.2	1.3	2.2
Unemployment Rate (%)	10.8	11.1	11.0
Housing Starts (Units)			
Total	55772	58200	67200
Singles	27868	34000	41000
Multiples	27904	24200	26200
MLS Sales (Units)	131381	133000	139000
Average MLS Price (Dollars)	162827	162300	167700

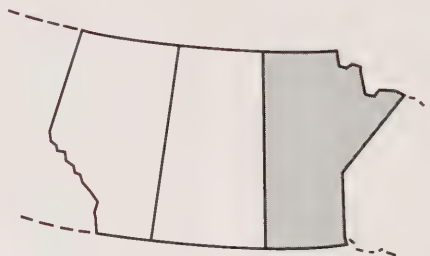
SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



# Manitoba

by Richard Goatcher



## Highlights

- The number of jobs is expected to increase in 1993 after two years of decline.
- A stronger economy will boost housing starts and resales in 1993 and 1994.
- House prices will begin to rise as demand strengthens.
- Vacancies in Winnipeg's rental market should drop to the four per cent range by 1994.

## Housing Markets Rebound in 1992

Despite continued weakness in Manitoba's labour market, demand for both new and existing homeownership improved in 1992. Total housing starts increased by 18 per cent from a record-low in 1991. Last year represented the first increase in new single-family housing in Manitoba since 1986. Lower interest rates, improved consumer confidence and federal incentive programs helped boost residential resale activity by almost 20 per cent.

Activity was particularly robust in the fourth quarter, with total housing starts and residential resales up substantially from the last three months of 1991. Both new and resale house prices last year remained largely unchanged from 1991 levels due to increased sales to first-time buyers. A slow growing economy and greater

movement to homeownership combined to limit the improvement expected in most rental markets. Vacancies in Winnipeg's private apartments fell only slightly to 6.1 per cent in October 1992 compared with a record-high 6.6 per cent in October 1991.

## 1993-94 Outlook

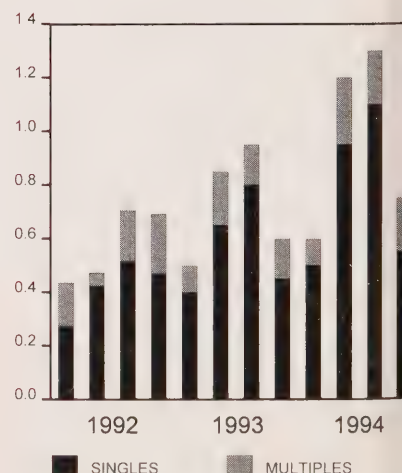
### Economic Recovery Gathers Momentum in 1993

Manitoba continued to lose jobs in 1992, ending the year with the highest December unemployment rate in Western Canada. Despite weakness in the labour market, output in the province's economy grew slightly last year following a substantial decline in the previous year. In 1993, increased exports and stronger domestic demand will help to ignite the recovery. Labour market weakness will persist into 1994, however, as major firms continue to restructure and governments at all levels cope with revenue shortfalls. Real GDP will advance by two per cent in 1993 and three per cent in 1994, following a modest one per cent gain last year.

Manufacturing output should increase by eight per cent in 1993, resulting in a comeback in employment within a sector which has lost jobs since 1990. Stronger exports to the United States will boost output in industries such as food and beverages,

wood products, primary metals and transportation equipment in 1993 and 1994. Following several years of decline, non-residential construction will experience modest gains in 1993 due to the \$143 million Centre for Disease Control in Winnipeg and the Flin Flon smelter upgrade. Further increases in 1994 will be moderated by the cancellation of the eight-year \$5.7 billion Conawapa power station and associated transmission lines. The economy of Northern Manitoba will be weakened in early 1993 by reduced output and layoffs at the INCO nickel mining and smelting facility in Thompson. Improved demand in 1994 should boost mineral output across the province. The financial sector was weakened in 1992 by major layoffs, most notably at Great West Life's head office in Winnipeg.

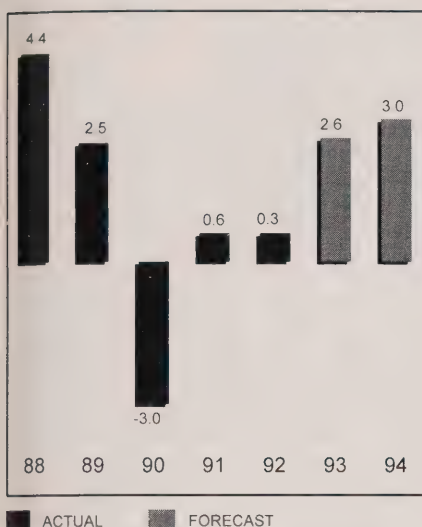
## Housing Starts Units Thousands (Qtrly) MANITOBA



SOURCE: CMHC.  
1993-94 Forecast.



## Average Residential MLS Price % Change MANITOBA



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

New jobs in the financial and business service industries will remain scarce in 1993 due to nationwide restructuring. Transportation industries will experience continued job losses in 1993 as rail, trucking and airline companies struggle to remain competitive. While the overall outlook for the economy is for continued albeit modest growth, employment levels in Manitoba will experience minimal gains in 1993, with increased job creation in the following year.

## Housing Markets Continue to Make Gains in 1993 and 1994

Continued growth in housing construction in Manitoba will result from low interest rates, a gradually stronger economy, growing consumer confidence, and the two federal housing programs. However, province-wide demand for new housing will not experience the resurgence witnessed at the end of the last recession due to continued high unemployment, outmigration, and only modest income growth. In 1993, housing

starts will continue upward in Winnipeg and Brandon, but job losses in Portage La Prairie and Thompson will limit improvements in these cities.

Total housing starts will reach 2,900 units in 1993, climbing to 3,850 in 1994 as employment levels rise. Since the late 1980s, builders have increasingly targeted the move-up buyer, abandoning the starter-home purchaser to the existing market. Slower income growth and more balanced resale markets will result in greater consumer interest in both new starter homes and more moderately-priced new move-up homes.

Manitoba's four MLS boards recorded strong sales growth in 1992, due to lower mortgage rates and a flood of first-time buyers armed with 95 per cent mortgages. The upward trend will continue into 1993, but at a slower pace. Residential sales in 1994 will approach the record high achieved in 1987, under largely balanced market conditions. Average resale prices, which remained largely unchanged in 1991/92, will increase 2.5 per cent in 1993 to an average of \$82,750. In 1994, slightly higher mortgage rates and a three per cent gain in average resale prices will

combine to reduce affordability for first-time buyers.

Demand for resale condominiums in Winnipeg increased substantially in 1992, with sales up by over 20 per cent from the previous year. Despite improved sales, average prices continued to fall last year due to stronger sales of modestly-priced units to first-time buyers. Condominium resales in Winnipeg should reach 550 units in 1993, with average prices rising to \$67,500. Despite improvements in resale, condominium construction across Manitoba will remain low in 1993 due to the steady conversion of existing rental apartments to ownership tenure.

Overall multiple unit construction will decline slightly in 1993 due to oversupplied rental markets and cutbacks in publicly-assisted units. Apartment vacancies in Winnipeg have remained near the six per cent level since the end of 1989 due to a combination of overbuilding in the late 1980s, weakened demand and a shift to homeownership. Low levels of new multiple unit construction will continue until 1995, allowing vacancy rates in Winnipeg to move downward into the four per cent range by 1994. ■

## Key Provincial Indicators Manitoba

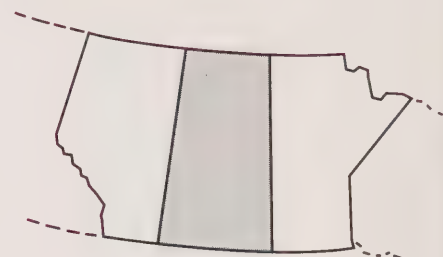
	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	1.0	2.0	3.0
Employment (% Change)	-2.0	0.4	1.4
Unemployment Rate (%)	9.6	9.8	9.1
Housing Starts (Units)			
Total	2310	2900	3850
Singles	1683	2300	3100
Multiples	627	600	750
MLS Sales (Units)	11384	11700	12000
Average MLS Price (Dollars)	80684	82750	85250

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

# Saskatchewan

by Paul Caton and Bruce McDonald



## Highlights

- Saskatchewan economy to grow by 2.5 per cent in 1993 and another 2.0 per cent in 1994.
- New housing construction starts will increase by almost ten per cent in 1993.
- The price of resale homes will increase in 1993 and 1994 due to a shortage of the more popular house styles.

## Construction Activity Doubles in 1992

Saskatchewan's housing markets continued to show signs of strength in the last quarter of 1992. New housing construction more than doubled from the previous year. Resale volumes were relatively high and the average price of resale homes in both Regina and Saskatoon continued to climb. Despite strong first-time home buying activity in 1992, vacancy rates in the province's major rental markets in 1992 declined considerably in the autumn as a result of rural immigration to these major centres and less outmigration to other provinces. Notwithstanding a dramatic drop in the number of vacant suites, a surplus of rental units remains and average

rents have not increased for some years.

## 1993-94 Outlook

### Primary industries begin recovery in 1993

After posting a slight decline in 1992, the Saskatchewan economy will grow by 2.5 per cent in 1993 and a further 2.0 per cent in 1994. Leading economic growth in 1993 and 1994 will be a recovery in Saskatchewan's primary industries.

The 1992 performance was primarily a result of the agricultural sector experiencing its worst harvest in history. Extensive wet conditions delayed the harvest and reduced the quality of most grains. Although international grain prices are showing signs of recovering and normal harvesting conditions will likely return in 1993 and 1994, farm incomes will remain relatively low in comparison to a decade ago and will continue to impact rural Saskatchewan.

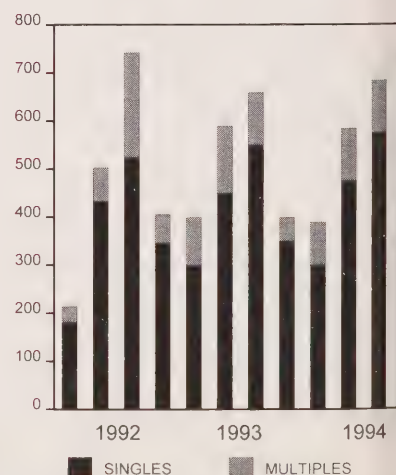
The mining industry in northern Saskatchewan will begin recovering modestly in 1993 and 1994 with an increase in world demand for most metals. Non-metal production in the southern half of the province, in particular potash, will increase rapidly in 1993 and moderately in 1994. Although world demand for potash will only increase modestly over these two years, Saskatchewan

producers will benefit from potash mine closures in Europe.

Over the past two years the provincial economy has benefited from the construction of large industrial projects. Now completed, the Bi-Provincial heavy oil upgrader, Shand Power Station, Saskferco fertilizer plant and Millar Western pulp mill will add significantly to manufacturing output in 1993.

With increased primary and manufacturing production, employment in Saskatchewan will increase by 3000 jobs a year in 1993 and 1994 after losing 9000 jobs in 1992. A large fraction of the jobs losses in 1992 came from non-residential construction and a loss of part-time and casual

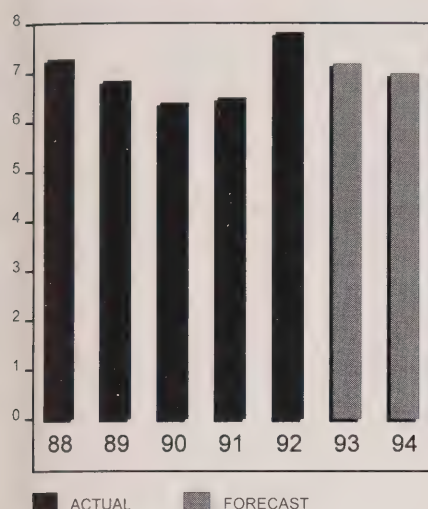
**Housing Starts**  
**Units Thousands (Qtrly)**  
**SASKATCHEWAN**



SOURCE: CMHC.  
1993-94 Forecast.



## Residential MLS Sales Units Thousands SASKATCHEWAN



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

employment within the agricultural sector.

Out-migration from Saskatchewan will increase in 1993 and 1994 as employment prospects in nearby provinces improve. Saskatchewan's population will also become increasingly urbanized as rural households move to cities where there are more employment opportunities.

## Housing Markets Will Remain Buoyant

Employment growth, consumer confidence and migration will be major factors influencing housing markets in 1993 and 1994.

New housing construction starts will increase by almost ten per cent to 2,050 units in 1993 and remain roughly at that same level in 1994. Regina will have the largest share of provincial starts in 1993 as a result of the Crown Life Insurance relocation to the city. Saskatoon will have the largest year-over-year increase in starts. Consumer confidence will return in Saskatoon because of a recovery in the mining sector and job

creation relating to the relocation of Atomic Energy of Canada Limited research. Although urban starts activity will grow, rural activity will be hindered by population losses and weak agricultural income.

Compared to recent years, sales activity in the resale market will be strong in 1993 and 1994 as consumer confidence improves. The level of sales over these two years, however, will be somewhat lower than in 1992. In that year, there was a release of pent-up demand shortly after the announcement of the First Home Loan Insurance Program. First Home Loan Insurance activity will slow down and sales volumes will stabilize at normal rates over the next two years.

The number of houses listed for sale in Regina and Saskatoon was at historically low levels at the end of 1992. Listings should begin increasing in 1993 and 1994 as potential move-up buyers list their homes in response to the shorter selling time frames and higher market prices that have occurred over the past year.

The price of resale homes will continue to increase in 1993 and 1994 due to a shortage of the more popular house styles. The average price of resale homes will also be influenced

by the composition of sales. Over these two years, a larger proportion of higher priced homes will be sold causing the average price to rise above 1992 levels.

Vacancies in rental markets will trend upwards in 1993 as homeownership becomes more attractive to renters. In-migration from rural areas to the cities will increase demand for rental accommodation, offsetting some of the surplus.

Rental property owners will face the pressures of rising operating costs and limited opportunity for rental increases. However, lower mortgage interest rates will allow financial restructuring which will help alleviate some of these difficulties. ■

## Key Provincial Indicators Saskatchewan

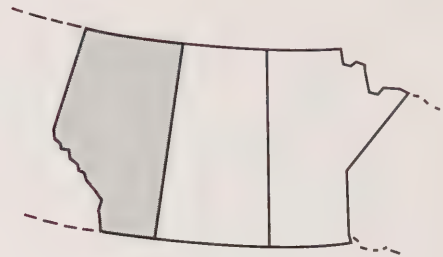
	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	-0.6	2.5	2.0
Employment (% Change)	-1.9	0.7	0.7
Unemployment Rate (%)	8.2	7.9	7.7
Housing Starts (Units)			
Total	1869	2050	2100
Singles	1484	1650	1700
Multiples	385	400	400
MLS Sales (Units)	7829	7200	7000
Average MLS Price (Dollars)	68406	70198	71568

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.  
(F) Forecast by CMHC.



# Alberta

by Laurie Scott and David Peever



## Highlights

- Housing markets to be supported by strengthening economy
- Strong multi-family construction dominated by condominiums
- Rental markets continue to face high vacancies

## New Construction Strongest Since 1982

Alberta builders had their best year of the past 11 in 1992. Housing starts totalled 18,573 units, an increase of 49 per cent over 1991. The momentum which developed during the second and third quarters continued, with starts reaching 23,000 SAAR in the fourth quarter. Sales of existing houses established new records, in part because persistently high levels of listings meant lower price growth than expected in some segments of the market.

The strength of the Alberta ownership housing market in 1992 was unusual in that it came against a backdrop of a weak economy. Continued layoffs in key sectors such as energy resulted in negative employment growth. Other indicators, such as retail sales, suggest that activity barely returned to 1991 levels. Negative net interprovincial migration partially offset positive international

in-migration, resulting in the lowest overall level of in-migration since 1988.

The ownership housing market thrived on the release of pent-up demand. The lowest mortgage rates in twenty-five years, an affordable housing stock, and government programs such as the five per cent down-payment option, led to home sales well in excess of levels implied by household formation.

## 1993-94 Outlook

### Brighter Economic Outlook for 1993

After two sluggish years, the Alberta economy is poised to grow more rapidly. From an estimated 2.1 per cent in 1992, the provincial Gross Domestic Product (G.D.P.) is expected to rise 2.8 per cent in 1993.

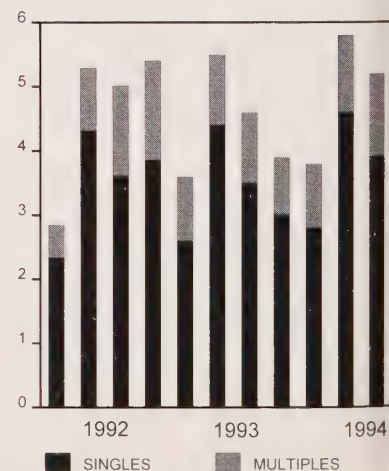
Among the factors influencing the provincial economy, sustained low interest rates and the depreciation of the Canadian dollar are key. Low interest rates ease the burden of debt on firms and encourage consumers to spend. And given the importance to Alberta producers of products priced in U.S. dollars, principally in the energy and forestry sectors, the lower Canadian dollar represents a substantial benefit.

For the first time in several years, the outlook for the energy sector has improved. Natural gas exports shattered all previous records in 1992, in

part due to the penetration of new markets in the U.S. northeast. Gas prices too have risen. Revisions to the structure of provincial government royalties are expected to result in a modest increase in exploration activity. Rather than leading to significant employment gains, however, these developments are instead expected merely to discourage further net job losses in the energy sector.

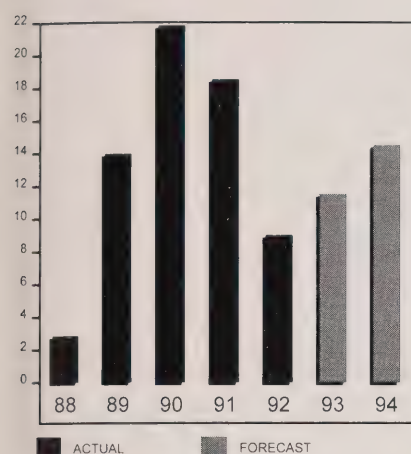
Some improvement is anticipated in the level of non-residential investment spending. Increased natural gas sales will lead to expansion of the pipeline system, benefiting the manufacturing sector. Additions to pulp and paper production capacity totalling over \$2.5 billion are planned between 1993 and 1995. These

**Housing Starts**  
**Units Thousands (Qtrly)**  
**ALBERTA**



SOURCE: CMHC.  
1993-94 Forecast.

## Total Net Migration Thousands of Persons ALBERTA



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

factors, as well as a sustained low dollar and interest rates, will support further G.D.P. growth of 3.8 per cent in 1994.

## Stable Residential Construction Expected

Alberta builders began 1992 with a pool of pent-up demand, particularly in the starter market. Rising house prices, followed by a sharp spike in interest rates, undercut new home sales in mid-1990. In 1991 consumers were shaken by the recession and the introduction of the GST. By 1992, conditions were right for much of this pent-up demand to be realized. In 1993, with demand for starter houses more closely tied to household formation, the market for new homes will instead be supported by improved economic and employment growth. Residential construction expenditures will return to more sustainable levels.

The focus of single-family home construction will shift in 1993 from the first time buyer to the "move-up", or second and subsequent purchaser. During 1992 most centres reported the strongest price growth in the starter market, giving sellers of these homes more equity. In addition,

lower interest rates mean that the same mortgage payment will finance a more expensive house.

While new homes will remain affordable in some areas, cost pressures on land and materials will reduce the share of single-family starter homes in the major centres. Medium-priced single-family houses will regain the share of the market lost to starter homes in 1992.

Multi-family unit construction will remain firm, and will continue to focus on condominium tenure. An aging population, and increasing acceptance of condominiums as suitable for both the starter and "empty nest" markets will support multi-family construction.

## Resale Markets Supported by Affordability

Sales volume in resale markets will continue at near the record pace of 1992, sustained by continued lower interest rates and strong consumer demand. Despite a marginal decline, 1993 sales will still be the second highest on record. After strong first-time buyer demand in 1992, move-up houses will again be the focus in 1993. Limited price growth in recent years has ensured that medium- and higher-priced existing homes remain

affordable. Low-priced houses will nevertheless remain popular. Average prices will grow by 4 per cent this year to \$118,000 on a provincial basis.

A component of the resale market with notable growth potential is the existing condominium. Resale condominiums are well placed to satisfy demand for starter homes, and would benefit from price increases in single family houses. With an ample supply of affordably-priced listings, and growing numbers eligible for NHA insurance, existing condominium sales are expected to increase in 1993 and 1994.

## Little Improvement Seen for Rental Markets

Rental markets across Alberta were negatively affected by the trend toward homeownership in 1992. In 1993, with affordability remaining excellent and continued declines in the renter-age population, vacancy rates will remain at levels too high for rent increases to match inflation. Consequently the construction of new rental accommodation will be minimal in both 1993 and 1994. With slight increases in in-migration, and the normal pace of household formation, vacancy rates are expected to peak by the spring of 1993, and decline gradually thereafter. ■

### Key Provincial Indicators Alberta

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	2.1	2.8	3.8
Employment (% Change)	-0.5	1.0	1.5
Unemployment Rate (%)	9.5	9.5	9.1
Housing Starts (Units)			
Total	18573	17600	19000
Singles	14125	13500	14500
Multiples	4448	4100	4500
MLS Sales (Units)	38545	38000	39000
Average MLS Price (Dollars)	113558	118000	122000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.



# British Columbia

by Helmut Pastrick



## Highlights

- Housing reached new highs in 1992 as record in-migration occurred.
- Economic growth will pick up and migration will stay very high over the forecast period.
- Housing will set new records in 1993 and 1994.

## Housing Records Fall

The housing market turned in an impressive performance in 1992. MLS sales shot up to well over 90,000 units in 1992 which was the second straight record-breaking year and house prices reached new highs. Housing starts fell just short of breaking the record set in 1981. Record migration levels to the province, twenty-five year low mortgage rates, and federal housing programs stimulated housing demand and negated the drag of a slow growing economy.

The year ended on a mixed note however. Fourth quarter housing starts were very strong, particularly in the multiples sector, but MLS sales softened. Prices were up due mostly to November's performance. The short-term MLS sales trend weakened due to the sharp run-up in mortgage rates during October.

The condominium sector has grown very robustly. Record-level MLS sales were achieved in

November. This sector benefitted from price-conscious buyers and from first-time buyer demand. The townhouse segment was very attractive to family-oriented buyers since it presented an affordable alternative to the single-detached unit. Market conditions were tightest in the townhouse sector during the entire year.

Constraints on new production continued in the second half. Availability of single-family lots was a problem in some parts of the Vancouver and Victoria metropolitan areas. For example, single-detached starts declined in Victoria last year and prices were well above the general inflation rate.

Another constraint mentioned in previous reports was the availability of construction financing. This has so far proven not to be critical, witness the high volume of condominium starts in the second half. While obtaining financing is more difficult than before, alternative means and expanding sources have offset the tighter requirements of some lenders.

The new housing market was under-supplied despite the near-record level of starts. House prices increased by more than five times the inflation rate. Completed and unsold inventory levels, particularly condominiums, were down by the end of the fourth quarter. High demand absorbed the available supply faster than inventory could be replenished.

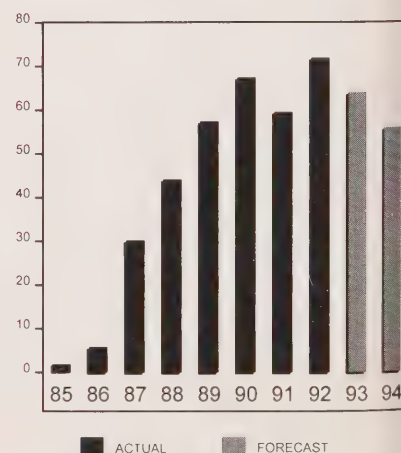
The rental market tightened somewhat in the fall. Vacancy rates were below two per cent, however rent increases were still very moderate. In-migration, an improving labour market, and limited rental supply were the primary causes.

## 1993-94 Outlook

### Economic Recovery Strengthens

The much anticipated stronger economic recovery will very likely occur in 1993 and 1994. The export sector is expected to benefit from a lower currency and a stronger U.S. economy. Lumber and tourism will experience more activity as a result.

### Total Net Migration Thousands of Persons BRITISH COLUMBIA



SOURCE: Statistics Canada.  
CMHC: Forecast.



Pulp, paper, and newsprint will be slower to recover due to the growing use of recycled paper and stiff external competition. Coal will continue to be a lacklustre sector given the competition from other suppliers. However, copper will probably be a brighter sector with a pickup in U.S. consumption. Since the B.C. economy is fundamentally dependant on export demand, its vitality depends on the state of its trading partners and on its ability to compete globally.

Investment spending, the other main economic catalyst, is expected to be more subdued than the export sector. Non-residential investment will be constrained by excess production capacity in the resources sector. Machinery and equipment spending will increase only modestly due mainly to environmental requirements and new technology. Capital spending by government is being curtailed. Residential investment has been and will likely continue to be the bright spot.

Another key element in B.C.'s economic forecast is high population growth. In addition to stimulating residential investment, consumer spending is positively affected. Population growth is projected to remain well above two per cent annually over the next two years. High in-migration to the province is the main source of growth. Following a record year in 1992, migration is expected to ease lower in the next two years. Fewer interprovincial migrants are expected due to the anticipated economic recovery in central Canada. International migration will remain up. On balance, net migration to B.C. is forecast to remain high, but decline from a record level.

## Housing Activity Up

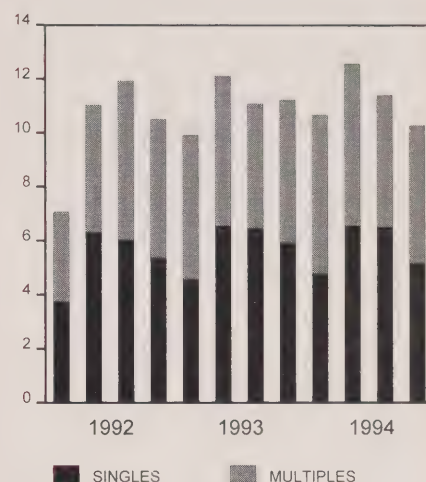
Housing starts, price increases, and housing sales are expected to rise at a more moderate pace in 1993 and 1994. Lower migration and high prices will limit demand and offset

the positive impact of higher employment and incomes, particularly in 1994. Another moderating factor will be the scheduled end of the 95 per cent financing and the RRSP tax withdrawal plans in early 1994 which may lead to a bunching-up of sales. Further, the up phase of the housing cycle — this one is almost two years old — typically makes smaller gains the longer it lasts.

Housing construction in 1993 is forecast to break the record set in 1981. Starts are forecast to be about 44,000 units in each of the next two years. Construction will increase this year in response to last year's under-supplied market. The multiples sector will continue to take a larger share of the new market due to a price advantage over single-detached homes and the limits on single-detached lot supply.

Condominium starts are expected to be at record levels. Deteriorating affordability due to the large price increases experienced last year is a major factor in the metropolitan areas. Lower mortgage rates have offset some of the negative effects of those price increases as have the federal government's initiatives. A demand shift to the multiples sector has been a rational response by purchasers.

**Housing Starts**  
**Units Thousands (Qtrly)**  
**BRITISH COLUMBIA**



SOURCE: CMHC.

Housing prices are expected to go up over the forecast period. New housing price increases will likely outstrip existing housing price gains due to production constraints. This will shift some demand to the existing market. Housing prices are forecast to rise by more than twice the inflation rate. The larger price rises will probably occur this year with some moderation in 1994 when new supply catches up with demand.

The existing market, as measured by MLS, is forecast to have another

## Key Provincial Indicators British Columbia

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	2.3	3.6	4.2
Employment (% Change)	1.9	2.7	2.8
Unemployment Rate (%)	10.4	10.0	9.7
Housing Starts (Units)			
Total	40621	44400	45000
Singles	21472	23500	23000
Multiples	19149	20900	22000
MLS Sales (Units)	93097	97000	100000
Average MLS Price (Dollars)	190334	205000	219000

SOURCES: CMHC, The Canadian Real Estate Association and Statistics Canada.

(F) Forecast by CMHC.

record sales year in 1993. High migration levels, favourable mortgage rates, and improving consumer confidence will propel sales to new heights. The middle and lower priced market should be the strongest segment in 1993. In 1994, the move-up market will probably be more active.

The rental market is forecast to remain adequately supplied in 1993, but in 1994 the vacancy rate could fall into the under-supplied area. Rental production is forecast to be at modest levels and some of the rental stock will be converted to condominium use. Lower unemployment in 1994 should result in more rental demand. The shift of some renters to the ownership market will continue, which will ease the availability of units. Rents will not likely shoot up during the forecast period, however, the market may face larger increases later. ■

## Housing Starts

### Total (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	3168	3536	3245	2836	2271	2400	2600
%	18.1	11.6	-8.2	-12.6	-19.9	5.7	8.3
PEI	1151	815	762	553	644	600	630
%	23.4	-29.2	-6.5	-27.4	16.5	-6.8	5.0
NS	5478	5359	5560	5173	4673	5000	5100
%	-15.2	-2.2	3.8	-7.0	-9.7	7.0	2.0
NB	3621	3681	2683	2872	3310	3550	3900
%	-2.6	1.7	-27.1	7.0	15.3	7.3	9.9
QUE	58062	49058	48070	44654	38228	40200	44000
%	-21.7	-15.5	-2.0	-7.1	-14.4	5.2	9.5
ONT	99924	93337	62649	52794	55772	58200	67200
%	-5.0	-6.6	-32.9	-15.7	5.6	4.4	15.5
MAN	5455	4084	3297	1950	2310	2900	3850
%	-33.3	-25.1	-19.3	-40.9	18.5	25.5	32.8
SASK	3856	1906	1417	998	1869	2050	2100
%	-21.2	-50.6	-25.7	-29.6	87.3	9.7	2.4
ALTA	11360	14712	17227	12492	18573	17600	19000
%	5.3	29.5	17.1	-27.5	48.7	-5.2	8.0
BC	30487	38894	36720	31875	40621	44400	45000
%	5.3	27.6	-5.6	-13.2	27.4	9.3	1.4
CAN	222562	215382	181630	156197	168271	*177000	*193000
%	-9.5	-3.2	-15.7	-14.0	7.7	5.2	9.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2839	2932	2468	2135	1611	1700	1900
%	12.2	3.3	-15.8	-13.5	-24.5	5.5	11.8
PEI	704	456	483	376	421	450	500
%	0.7	-35.2	5.9	-22.2	12.0	6.9	11.1
NS	3867	3361	3639	2604	3232	3500	3500
%	-6.1	-13.1	8.3	-28.4	24.1	8.3	0.0
NB	2953	2909	2137	2154	2391	2800	3100
%	-0.1	-1.5	-26.5	0.8	11.0	17.1	10.7
QUE	27724	24493	24942	22531	18564	22500	24000
%	-11.8	-11.7	1.8	-9.7	-17.6	21.2	6.7
ONT	57099	53511	32425	26290	27868	34000	41000
%	-12.1	-6.3	-39.4	-18.9	6.0	22.0	20.6
MAN	3601	2966	2847	1589	1683	2300	3100
%	-22.2	-17.6	-4.0	-44.2	5.9	36.7	34.8
SASK	2246	1383	1087	775	1484	1650	1700
%	-25.0	-38.4	-21.4	-28.7	91.5	11.2	3.0
ALTA	9671	12345	13809	9778	14125	13500	14500
%	1.9	27.6	11.9	-29.2	44.5	-4.4	7.4
BC	17761	21612	18478	18335	21472	23500	23000
%	8.6	21.7	-14.5	-0.8	17.1	9.4	-2.1
CAN	128465	125968	102315	86567	92851	*106000	*116000
%	-8.3	-1.9	-18.8	-15.4	7.3	14.2	9.4

### Multiples (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	329	604	777	701	660	700	700
%	116.4	83.6	28.6	-9.8	-5.8	6.1	0.0
PEI	447	359	279	177	223	150	130
%	91.0	-19.7	-22.3	-36.6	26.0	-32.7	-13.3
NS	1611	1998	1921	2569	1441	1500	1600
%	-31.2	24.0	-3.9	33.7	-43.9	4.1	6.7
NB	668	772	546	718	919	750	800
%	-12.0	15.6	-29.3	31.5	28.0	-18.4	6.7
QUE	30338	24565	23128	22123	19664	17700	20000
%	-29.0	-19.0	-5.8	-4.3	-11.1	-10.0	13.0
ONT	42825	39826	30224	26504	27904	24200	26200
%	6.3	-7.0	-24.1	-12.3	5.3	-13.3	8.3
MAN	1854	1118	450	361	627	600	750
%	-47.7	-39.7	-59.7	-19.8	73.7	-4.3	25.0
SASK	1610	523	330	223	385	400	400
%	-15.3	-67.5	-36.9	-32.4	72.6	3.9	0.0
ALTA	1689	2367	3418	2714	4448	4100	4500
%	30.4	40.1	44.4	-20.6	63.9	-7.8	9.8
BC	12726	17282	18242	13540	19149	20900	22000
%	1.1	35.8	5.6	-25.8	41.4	9.1	5.3
CAN	94097	89414	79315	69630	75420	*71000	*77000
%	-11.1	-5.0	-11.3	-12.2	8.3	-5.9	8.5

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Multiples, by Area and Tenure (units)

	Centres 10,000 Population and Over					Total 10,000+	Other Areas	All Areas Total
	Rental/Co-op Private	Assisted	Total Rental	Condo	Other*			
NFLD								
1992	78	38	116	0	448	564	96	660
1993	50	100	150	0	450	600	100	700
1994	100	40	140	0	500	640	60	700
PEI								
1992	116	53	169	0	0	169	54	223
1993	70	40	110	0	0	110	40	150
1994	70	25	95	0	0	95	35	130
NS								
1992	728	60	788	0	527	1315	126	1441
1993	825	103	928	27	410	1365	135	1500
1994	925	65	990	29	437	1456	144	1600
NB								
1992	586	49	635	51	67	753	166	919
1993	430	40	470	40	40	550	200	750
1994	440	40	480	50	45	575	225	800
QUE								
1992	6859	894	7753	4931	5263	17947	1717	19664
1993	6500	500	7000	5000	4000	16000	1700	17700
1994	8000	500	8500	5500	3500	17500	2500	20000
ONT								
1992	2273	15667	17940	2772	5410	26122	1782	27904
1993	2300	10100	12400	4700	5600	22700	1500	24200
1994	2800	10300	13100	5700	5750	24550	1650	26200
MAN								
1992	170	132	302	136	32	470	157	627
1993	170	130	300	150	50	500	100	600
1994	300	100	400	200	50	650	100	750
SASK								
1992	24	81	105	141	52	298	87	385
1993	20	85	105	150	50	305	95	400
1994	60	50	110	165	65	340	60	400
ALTA								
1992	838	0	838	1778	1130	3746	702	4448
1993	450	200	650	1800	1050	3500	600	4100
1994	650	200	850	1800	1000	3650	850	4500
BC								
1992	2832	647	3479	13218	1273	17970	1179	19149
1993	2400	700	3100	15000	1400	19500	1400	20900
1994	2600	700	3300	15225	1700	20225	1775	22000
CAN								
1992	14504	17621	32125	23027	14202	69354	6066	75420
1993	13215	11998	25213	26867	13050	65130	5870	**71000
1994	15945	12020	27965	28669	13047	69681	7399	**77000

SOURCE: CMHC.

1992 Actual, 1993-94 Forecast.

\* Includes homeowner and unclassified units.

\*\* Total does not add due to rounding.

## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1988	1989	1990	1991	1992 <sup>(E)</sup>	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
ST. JOHN'S	2.3	5.4	3.6	7.2	0.8	1.5	3.0
HALIFAX	3.8	1.8	0.3	-0.2	1.0	2.0	2.5
SAINT-JOHN	2.8	3.5	1.4	0.9	1.0	1.0	1.5
QUÉBEC CITY	8.8	6.9	3.3	2.8	1.0	2.0	3.0
MONTRÉAL	9.5	3.4	2.7	0.6	0.0	2.5	4.0
OTTAWA	6.7	5.6	3.9	-0.4	0.1	0.9	2.0
TORONTO	16.6	22.4	-3.8	-15.1	-4.4	0.2	1.4
HAMILTON	11.5	8.4	2.3	-5.9	-3.7	1.1	2.3
ST. CATHARINES	6.5	8.4	7.0	-3.5	-2.4	0.8	1.1
KITCHENER	9.0	10.3	2.0	-7.8	-3.0	1.2	2.4
LONDON	7.7	9.7	5.7	0.5	0.2	2.0	3.0
WINDSOR	5.3	8.9	4.4	0.0	0.0	3.0	4.0
SUDBURY- THUNDER BAY	..	6.6	5.6	0.3	-0.5	2.0	3.5
WINNIPEG	1.2	-0.4	1.9	-0.2	-0.1	0.5	1.5
REGINA	1.6	1.6	1.8	2.4	4.5	1.5	1.5
SASKATOON	1.9	0.7	0.7	-0.8	0.5	1.0	1.0
CALGARY	8.7	7.2	12.4	-2.7	0.5	4.0	3.0
EDMONTON	5.1	8.3	15.9	2.2	0.9	3.5	3.4
VANCOUVER	5.2	15.6	5.7	-7.2	9.0	10.0	7.0
VICTORIA	7.3	10.0	7.0	-1.5	5.0	8.1	7.5
CANADA	10.3	13.2	1.5	-6.9	0.0	2.5	3.0

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

.. Figures not available.

\* Includes both house and land components.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2217	2040	1998	1892	1829	1900	2000
%	16.3	-8.0	-2.1	-5.3	-3.3	3.9	5.3
PEI	505	626	742	764	604	700	750
%	-0.4	24.0	18.5	3.0	-20.9	15.9	7.1
NS	5734	5863	6072	5811	6769	6700	6500
%	-2.9	2.2	3.6	-4.3	16.5	-1.0	-3.0
NB	3518	3490	3316	3259	3550	3800	4100
%	19.3	-0.8	-5.0	-1.7	8.9	7.0	7.9
QUE	30503	30618	28067	27981	31734	33000	34000
%	2.0	0.4	-8.3	-0.3	13.4	4.0	3.0
ONT	160578	142914	102792	126143	131381	133000	139000
%	19.5	-11.0	-28.1	22.7	4.2	1.2	4.5
MAN	11129	10375	9356	9521	11384	11700	12000
%	-10.0	-6.8	-9.8	1.8	19.6	2.8	2.6
SASK	7301	6850	6405	6505	7829	7200	7000
%	-7.3	-6.2	-6.5	1.6	20.4	-8.0	-2.8
ALTA	30368	36249	33085	34360	38545	38000	39000
%	9.9	19.4	-8.7	3.9	12.2	-1.4	2.6
BC	67460	83562	58027	84554	93097	97000	100000
%	19.7	23.9	-30.6	45.7	10.1	4.2	3.1
CAN**	319313	322587	249860	300790	326722	*333000	*344000
%	14.1	1.0	-22.5	20.4	8.6	1.9	3.3

### Average Residential Price (dollars and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	76828	83284	88654	90823	91590	93500	96500
%	4.6	8.4	6.4	2.4	0.8	2.1	3.2
PEI	65464	74167	69284	71033	75570	76640	77400
%	11.2	13.3	-6.6	2.5	6.4	1.4	1.0
NS	79591	82328	84649	86462	88914	90100	91700
%	0.9	3.4	2.8	2.1	2.8	1.3	1.8
NB	72101	75848	77752	80897	82478	85074	87469
%	6.6	5.2	2.5	4.0	2.0	3.1	2.8
QUE	95367	100517	100811	102840	102549	106100	110300
%	10.9	5.4	0.3	2.0	-0.3	3.5	4.0
ONT	161270	184605	175859	173723	162827	162300	167700
%	18.9	14.5	-4.7	-1.2	-6.3	-0.3	3.3
MAN	80427	82401	79961	80445	80684	82750	85250
%	4.4	2.5	-3.0	0.6	0.3	2.6	3.0
SASK	68355	70417	68963	67697	68406	70198	71568
%	3.9	3.0	-2.1	-1.8	1.0	2.6	2.0
ALTA	89554	98542	108675	111482	113558	118000	122000
%	6.7	10.0	10.3	2.6	1.9	3.9	3.4
BC	121040	151504	157616	168235	190334	205000	219000
%	18.8	25.2	4.0	6.7	13.1	7.7	6.8
CAN**	131526	148776	143432	149757	150909	*156000	*164000
%	18.1	13.1	-3.6	4.4	0.8	3.4	5.1

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.

## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1992		1993		1994	
		APR	OCT	APR <sup>(F)</sup>	OCT <sup>(F)</sup>	APR <sup>(F)</sup>	OCT <sup>(F)</sup>
CALGARY	48452	5.2	5.5	5.2	4.3	4.7	3.6
CHICOUTIMI- JONQUIÈRE	8146	4.8	7.1	6.5	5.9	5.2	4.8
EDMONTON	67869	3.8	4.0	4.2	3.4	3.8	2.9
HALIFAX	29966	5.5	5.7	6.3	6.0	5.9	5.6
HAMILTON	43275	2.4	2.3	2.8	2.6	2.4	2.0
KITCHENER	26471	4.2	4.4	4.5	4.3	4.0	3.6
LONDON	40053	4.1	3.4	3.7	3.3	3.1	2.8
MONTREAL	456890	6.4	7.7	6.6	7.2	6.4	7.2
OSHAWA	10871	4.4	6.1	7.5	8.5	8.5	8.0
OTTAWA	62037	1.4	1.3	1.7	1.4	1.6	1.2
HULL	17981	4.2	3.7	3.2	3.4	3.5	3.7
QUÉBEC CITY	69710	5.3	6.3	5.6	5.6	5.2	4.8
REGINA	12623	5.3	3.6	4.8	4.4	4.4	4.0
ST. CATHARINES- NIAGARA	16706	2.9	3.4	3.9	3.2	2.9	2.7
SAINT JOHN	7999	5.9	6.0	6.5	5.5	6.0	5.5
ST. JOHN'S	4350	7.3	5.6	7.5	6.4	7.6	6.2
SASKATOON	17673	7.6	4.4	4.5	4.0	4.0	4.0
SHERBROOKE	23190	8.6	9.3	8.0	8.1	7.6	7.8
SUDBURY	9890	2.1	2.5	3.2	3.0	2.9	2.4
THUNDER BAY	5332	2.1	2.5	2.6	1.4	2.6	1.0
TORONTO	295149	1.9	2.2	2.5	2.9	2.8	2.4
TROIS-RIVIÈRES	15535	7.9	7.0	6.6	5.8	6.8	6.5
VANCOUVER	111862	2.8	1.6	2.0	1.4	1.8	1.2
VICTORIA	25087	2.6	1.5	2.0	1.2	1.4	1.0
WINDSOR	14131	3.6	3.3	3.1	2.2	2.4	1.5
WINNIPEG	57279	5.9	6.1	5.7	5.2	4.7	4.1
CANADA**	1498527	4.4	4.8	4.6	4.6	4.4	4.3

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in October 1992.

\*\* Weighted average of Metropolitan areas surveyed.

## Housing Completions

### Total (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	3220	3783	3127	3219	2556	2186	2249
%	13.5	17.5	-17.3	2.9	-20.6	-14.5	2.9
PEI	993	927	683	722	595	685	755
%	5.3	-6.6	-26.3	5.7	-17.6	15.1	10.2
NS	5793	4904	5477	4905	5485	5310	5407
%	-10.7	-15.3	11.7	-10.4	11.8	-3.2	1.8
NB	3798	3383	2959	2858	3051	2300	2350
%	-3.7	-10.9	-12.5	-3.4	6.8	-24.6	2.2
QUE	65224	50855	52630	42720	42323	39100	41500
%	-5.4	-22.0	3.5	-18.8	-0.9	-7.6	6.1
ONT	88727	99817	80562	59622	63134	57200	62600
%	0.1	12.5	-19.3	-26.0	5.9	-9.4	9.4
MAN	5621	6461	4028	2190	2190	2500	3350
%	-26.3	14.9	-37.7	-45.6	0.0	14.2	34.0
SASK	4352	2743	1575	1241	1554	2000	1925
%	-22.8	-37.0	-42.6	-21.2	25.2	28.7	-3.8
ALTA	11201	12763	17467	12959	16307	18063	18486
%	20.0	13.9	36.9	-25.8	25.8	10.8	2.3
BC	27603	31735	37655	29578	36050	43087	44530
%	16.9	15.0	18.7	-21.5	21.9	19.5	3.3
CAN	216532	217371	206163	160014	173245	*172000	*183000
%	-0.7	0.4	-5.2	-22.4	8.3	-0.7	6.4

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Completions

### Singles (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2961	3217	2434	2402	1869	1556	1630
%	17.5	8.6	-24.3	-1.3	-22.2	-16.7	4.8
PEI	678	539	391	438	392	485	550
%	-6.9	-20.5	-27.5	12.0	-10.5	23.7	13.4
NS	3597	3274	3473	2739	3340	3321	3457
%	-14.2	-9.0	6.1	-21.1	21.9	-0.6	4.1
NB	3111	2773	2332	2136	2244	1400	1500
%	-3.4	-10.9	-15.9	-8.4	5.1	-37.6	7.1
QUE	28980	24456	27199	21190	19590	21000	22800
%	-2.3	-15.6	11.2	-22.1	-7.6	7.2	8.6
ONT	58072	54732	43130	27499	30193	30300	37500
%	-5.4	-5.8	-21.2	-36.2	9.8	0.4	23.8
MAN	3916	3263	3109	1810	1744	2000	2750
%	-20.6	-16.7	-4.7	-41.8	-3.6	14.7	37.5
SASK	2525	1523	1112	884	1278	1530	1590
%	-29.9	-39.7	-27.0	-20.5	44.6	19.7	3.9
ALTA	9586	10956	14699	9967	12873	14076	14366
%	17.4	14.3	34.2	-32.2	29.2	9.3	2.1
BC	15785	18736	20111	16072	19835	22720	23578
%	6.5	18.7	7.3	-20.1	23.4	14.5	3.8
CAN	129211	123469	117990	85137	93358	*98000	*110000
%	-3.0	-4.4	-4.4	-27.8	9.7	5.0	12.2

### Multiples (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	259	566	693	817	687	630	619
%	-17.8	118.5	22.4	17.9	-15.9	-8.3	-1.7
PEI	315	388	292	284	203	200	205
%	46.5	23.2	-24.7	-2.7	-28.5	-1.5	2.5
NS	2196	1630	2004	2166	2145	1989	1950
%	-4.4	-25.8	22.9	8.1	-1.0	-7.3	-2.0
NB	687	610	627	722	807	900	850
%	-4.8	-11.2	2.8	15.2	11.8	11.5	-5.6
QUE	36244	26399	25431	21530	22733	18100	18700
%	-7.7	-27.2	-3.7	-15.3	5.6	-20.4	3.3
ONT	30655	45085	37432	32123	32941	26900	25100
%	12.7	47.1	-17.0	-14.2	2.5	-18.3	-6.7
MAN	1705	3198	919	380	446	500	600
%	-36.7	87.6	-71.3	-58.7	17.4	12.1	20.0
SASK	1827	1220	463	357	276	470	335
%	-10.3	-33.2	-62.0	-22.9	-22.7	70.3	-28.7
ALTA	1615	1807	2768	2992	3434	3987	4120
%	38.5	11.9	53.2	8.1	14.8	16.1	3.3
BC	11818	12999	17544	13506	16215	20367	20952
%	34.4	10.0	35.0	-23.0	20.1	25.6	2.9
CAN	87321	93902	88173	74877	79887	*74000	*73000
%	3.1	7.5	-6.1	-15.1	6.7	-7.4	-1.4

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Labour Markets

### Employment (annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	5.4	4.1	0.0	-1.9	-4.4	-0.5	3.2
PEI	3.4	1.4	1.7	-4.1	-0.2	1.5	1.5
NS	4.6	1.9	1.6	-2.0	-2.7	1.4	1.5
NB	3.2	1.6	2.2	-1.7	1.1	2.0	2.0
QUE	2.8	1.0	0.8	-2.2	-1.1	1.6	2.0
ONT	3.7	1.8	-0.3	-3.4	-1.2	1.3	2.2
MAN	0.3	0.8	1.5	-2.3	-2.0	0.4	1.4
SASK	-0.5	-1.1	0.7	-0.1	-1.9	0.7	0.7
ALTA	3.5	2.3	1.4	1.2	-0.5	1.0	1.5
BC	4.0	5.7	2.4	1.4	1.9	2.7	2.8
CAN	3.2	2.0	0.7	-1.8	-0.8	1.5	2.1

### Unemployment Rate (per cent)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	16.4	15.8	17.1	18.4	20.2	20.4	19.9
PEI	13.0	14.1	14.9	16.8	17.7	17.0	16.4
NS	10.2	9.9	10.5	12.0	13.1	12.8	12.4
NB	12.0	12.5	12.1	12.7	12.8	12.4	12.2
QUE	9.4	9.3	10.1	11.9	12.8	12.7	12.4
ONT	5.0	5.1	6.3	9.6	10.8	11.1	11.0
MAN	7.8	7.5	7.2	8.8	9.6	9.8	9.1
SASK	7.5	7.4	7.0	7.4	8.2	7.9	7.7
ALTA	8.0	7.2	7.0	8.2	9.5	9.5	9.1
BC	10.3	9.1	8.3	9.9	10.4	10.0	9.7
CAN	7.8	7.5	8.1	10.3	11.3	11.3	11.0

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.

## Demographics

### Total Net Migration (number of persons)

	1988	1989	1990	1991	1992 <sup>(E)</sup>	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	-1952	-2314	-2943	-1463	-3000	-3200	-2000
PEI	521	0	-767	-1436	400	725	500
NS	1000	1606	973	2036	800	1200	1200
NB	-1259	118	161	-2476	-2145	-1800	-1500
QUE	14366	21007	26068	31249	28300	31500	34500
ONT	85969	84506	82005	91918	114500	118500	120500
MAN	-5309	-5975	-4949	-4090	-4500	-3500	-3000
SASK	-14902	-17299	-14646	-8197	-6800	-8100	-8300
ALTA	2867	13985	21806	18525	9000	11500	14500
BC	44170	57485	67483	59568	72000	64000	56000
CAN*	125471	153119	175191	185634	208555	210825	212400

SOURCE: Statistics Canada.

(E) Estimate by CMHC.

(F) Forecast by CMHC.

\* Excludes Yukon and Northwest Territories.



# Major Housing Indicators

Seasonally adjusted at annual rates  
Levels and quarterly per cent change)

	91:Q2	91:Q3	91:Q4	92:Q1	92:Q2	92:Q3	92:Q4
<b>New housing</b>							
Building permits, units, thousands	170.2	186.6	187.2	177.4	168.0	166.5	..
%	39.4	9.6	0.3	-5.3	-5.3	-0.9	..
Housing starts, total, thousands	148	179	181	153	165	176	175
%	46.5	20.9	1.1	-15.5	7.8	6.7	-0.6
Housing starts, singles, thousands	84	100	96	77	90	96	104
%	55.6	19.0	-4.0	-19.8	16.9	6.7	8.3
Housing starts, multiples, thousands	64	79	85	76	75	80	71
%	36.2	23.4	7.6	-10.6	-1.3	6.7	-11.3
Housing completions, total, thousands	149	157	159	173	168	180	172
%	-15.3	5.4	1.3	8.8	-2.9	7.1	-4.4
New house price index, 1986=100	133.7	134.4	134.5	133.8	133.9	134.5	..
%	-0.7	0.5	0.1	-0.6	0.1	0.5	..
<b>Existing housing</b>							
MLS resales, units, thousands	365.5	285.4	277.8	310.2	331.7	339.9	326.5
%	33.2	-21.9	-2.7	11.7	6.9	2.5	-3.9
MLS average resale price, \$C thousands	154.1	148.2	147.2	146.5	150.3	153.2	154.2
%	4.6	-3.8	-0.7	-0.5	2.6	1.9	0.7
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	248.2	254.7	261.1	266.6	273.1	279.1	..
%	2.3	2.6	2.5	2.1	2.5	2.2	..
Mortgage approvals, \$C billions	74.6	77.0	68.9	80.5	68.0	79.9	..
%	31.1	3.2	-10.5	16.8	-15.5	17.5	..
1-year mortgage rate, per cent*	10.25	9.92	8.92	8.67	8.17	6.50	8.15
5-year mortgage rate, per cent*	11.25	11.42	10.18	10.00	9.93	8.71	9.42
<b>Residential investment**</b>							
Total, \$1986 billions	30.5	31.7	32.4	32.0	32.5	33.6	..
%	6.2	4.1	2.1	-1.0	1.4	3.4	..
New, \$1986 billions	12.8	14.8	16.1	15.0	15.1	15.6	..
%	-1.8	15.8	8.8	-7.1	0.9	3.5	..
Alterations, \$1986 billions	10.2	10.6	10.3	10.2	10.4	10.7	..
%	5.7	3.6	-2.5	-1.0	2.0	2.3	..
Transfer costs, \$1986 billions	7.5	6.3	6.0	6.9	7.0	7.3	..
%	24.5	-15.4	-5.8	15.3	1.7	4.7	..
Deflator, 1986=100	136.0	135.2	134.3	135.8	135.9	137.2	..
%	2.6	-0.6	-0.7	1.1	0.1	1.0	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

\* Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.









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Canada



**NATIONAL HOUSING OUTLOOK  
SECOND QUARTER, 1993**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared April, 1993

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Cette publication est aussi disponible en français sous le titre *Perspectives nationales du marché de l'habitation* — N° de catalogue : NH12-9F.

## Harsh winter spreads weakness

Activity fell substantially on housing markets during the January-March period. Housing starts fell to 145,500 units on a seasonally adjusted annual rate basis (SAAR), down 13.6 per cent from a level of 168,500 units during the last quarter of 1992. On the existing market, sales through the Multiple Listing Service (MLS)\*, fell nearly a quarter to an estimated level of 245,600 units on a SAAR basis from the last quarter of 1992.

The level of activity was the lowest since early 1991 for construction starts, and the lowest since the end of 1990 for the resale market. An unusually severe winter, the interest rate spikes at the end of 1992 and the still subdued pace of the recovery were the major factors behind the lower starts reported in all regions as well as for all major types of construction.

Harsh winter conditions, with more precipitation than normal, and colder temperatures, contributed to the depressed housing market activity, especially in Central and Atlantic Canada. These conditions idled construction sites and reduced home-buyer shopping on the new and existing markets.

Mortgage interest rates dropped marginally during the quarter, but the temporary higher rates at the end of 1992 impacted housing markets adversely. The impact was large and immediate on the resale market, while it was more limited and delayed on the new construction market.

***Housing starts  
will rise  
2.3 per cent  
this year, to  
172,100 units.***

The consumer mood reflected the subdued pace of the recovery. The Conference Board of Canada's Index of Consumer Attitudes improved in the first quarter but remained at low levels, as concerns about job and income security are still high. However, economic conditions improved during the quarter and, with time, this will positively influence consumer attitudes.

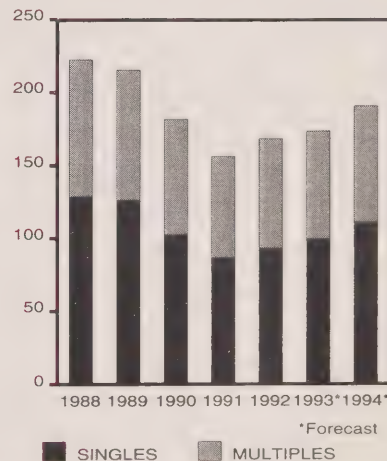
At the same time, the government homeownership programs continued to support housing markets. In particular, participation in CMHC's First Home Loan Insurance (FHLI) has continued at levels comparable with 1992.

## 1993-94 Outlook

The upward momentum of the economy in recent months has been confirmed by broad economic statistics. Most revealing has been the steady increase in employment since last August. During the first quarter of the year, employment was up 2.3 per cent at an annual rate from the last quarter of 1992. Exports continued to be the most dynamic sector of the economy, rising 17 per cent in the last year.

The export drive should remain the main contributor to improved economic activity in the coming months due to steady growth in the U.S. economy, and the renewed competitive position of domestic producers. The latter results from the lower dollar, and the strong productivity gains

**Housing Starts  
Units Thousands (Annually)  
CANADA**

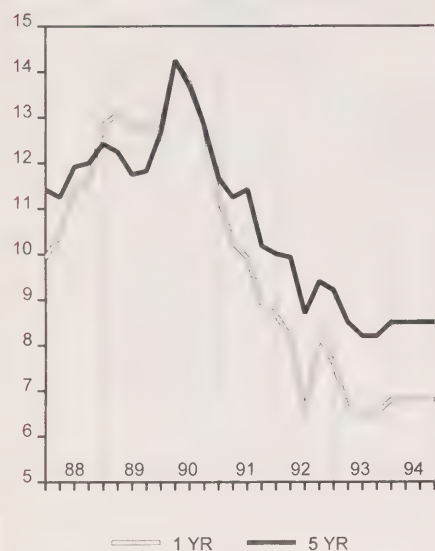


SOURCE: CMHC.

Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.



**Mortgage Rates  
Per cent  
Major Financial Institutions**



SOURCE: Bank of Canada Review.  
1993-94 CMHC forecast.

achieved by many industrial sectors, as they have undergone fundamental restructuring during the last several years.

Interest rates are expected to continue to provide a favourable environment for housing and the economy in general. The one-year mortgage rate is forecast to drop further from its 7.25 per cent at the end of the first quarter to a range of 6.5-7.0 per cent in the second half of the year and in 1994. As for the five-year term, the forecast range is 8.25-8.5 per cent compared with 8.95 per cent at the end of the first quarter. This interest rate scenario rests on a similar profile for U.S. interest rates, a low inflation environment in Canada and a gradual recovery.

The interest rate scenario is a central element of the forecast. It is also one that carries substantial risks as was evident last fall when

a crisis of confidence in the dollar forced two spikes in interest rates with a damaging impact on housing markets.

Last fall's episode has put into sharper focus the vulnerability of the Canadian economy to trends in international financial markets. At the same time, there have been rising concerns about the rapid deterioration of provincial finances and the fast growing international indebtedness of the country. This has resulted in a tighter stance in most government budgets tabled so far this year. While the measures selected, including tax increases, wage freezes and other spending restraints, may correct severe budget imbalances and pave the way for more healthy growth, there are short term costs in terms of restrained consumer income, confidence and spending decisions.

Business confidence has improved significantly and investment in machinery and equipment to modernize and improve efficiency is expected to continue at the strong level of the last several years. Construction, however, will be constrained by excess capacity in industrial, commercial and office buildings.

While price and cost pressures are expected to be limited, this does not preclude sector specific problems as seen recently in the case of wood prices. From October to early March, lumber prices on commodity markets nearly doubled raising fears that housing costs would be severely

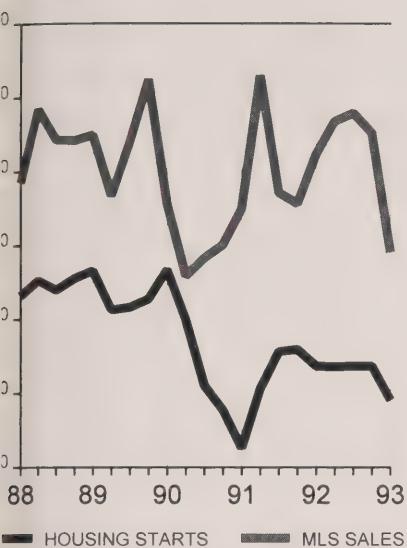
affected. Given the impact of lumber on the prices of wood products, the share of wood costs in total house construction costs, and the status of market demand where it is difficult to operate on a cost pass-through basis, a maximum rise of four per cent in house prices might have resulted. Spot prices retreated substantially by mid-April but are likely to remain volatile.

Given the external environment and the domestic policy setting, the economy is expected to expand by close to three per cent this year and around four per cent in 1994. Employment would increase by 1.5-2.0 per cent in both years leaving the unemployment rate little changed from its current level.

## Housing will recover from first quarter lull

Housing starts are forecast to reach 172,100 units this year, up 2.3 per cent from the 1992 level. Expectations for the year have been adversely affected by the poor performance of the first quarter, due in part to a bad winter but also to continued consumer caution. A gradual improvement is anticipated in the second quarter, with stronger levels during the second half of the year. The factors underlying the upward trend include a snap-back from the poor winter months and continued economic recovery. In 1994, as economic conditions improve further and the worst memories of the last recession begin to fade

**Housing Starts and  
Residential MLS Sales  
Seasonally adjusted at annual  
rates  
Units Thousands (Qtrly)  
Canada**



among consumers, construction starts are expected to rise more than ten per cent to 190,400 units.

This update also reflects a shifting mix between starts of single-detached dwellings and multiple units for 1993. Single-detached construction should rise more slowly than earlier expected, up 6.9 per cent to 99,300, due in part to the disappointing performance of the resale market at the beginning of the year. In 1994, with some maturing of the recovery, especially in Ontario, and more action from move-up buyers, single starts are expected to rise nearly 12 per cent to 110,800 units.

As for multiple unit construction, it is still set to fall this year but less than anticipated earlier, to a level of 72,800 units. Multiple

construction is held down by low privately initiated rental construction and a significantly lower level of starts of provincially sponsored social units in Ontario. Offsetting these trends, however, are strong demands for semi-detached dwellings, row houses and condominium units as cost conscious buyers value their affordability, especially in tight markets like British Columbia. Recent reductions in the excess stock of unoccupied new multiple units have underscored this appeal. In 1994, starts of multiple units are forecast to rise 9.3 per cent to 79,600 units. This takes into consideration lower commitments for social housing units.

Total residential sales through the MLS system are expected to drop 2.8 per cent to 318,600 units this year before rising by 4.8 per cent in 1994. Activity on the market fell substantially during the closing months of 1992, and has been recovering slowly during February and March. A gradual recovery from current levels will not permit total activity to surpass the 1992 level. Last year activity was supported by the homeownership programs. Although they remain popular, with participation comparable to last year's level for CMHC's FHFI, this will not be a basis for further growth of resale activity; furthermore, participation in the FHFI is gradually shifting toward the new market, as builders adapt their products to this new clientele, and as existing products for first-time buyers were in strong demand last year.

The average resale price is expected to reach \$157,900, up 4.7 per cent from the 1992 level. This national average mainly reflects strong market conditions in British Columbia where the average is expected to jump by 11.6 per cent. Excluding B.C., the average would be the same as in 1992, with provincial details ranging from an increase of nearly four per cent in Alberta to a decrease of about one per cent in Ontario. As the B.C. market cools and other markets firm up in 1994, the average increase should be 3.2 per cent with B.C. prices up somewhat more than the national average.

## *Activity on resale market will not surpass the 1992 level.*

Regionally, Western provinces should show the best performance in 1993, with the exception of Alberta where starts are forecast to drop following an increase of almost 50 per cent last year. Starts levels are also expected to drop this year in Ontario, Nova Scotia and P.E.I. As the recovery matures in 1994, construction should rise in all provinces with some of the largest increases in Ontario and Quebec as their manufacturing sectors improve. ■



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

Reduced housing costs arising from the lowest interest rates in 30 years will be the major contributor to increased housing demand in 1993. However, further job losses combined with uncertainty about the future of the northern cod stock, and its impact on fish processing operations, will moderate gains in provincial housing market activity this year. Although strength in urban centres will push housing starts to 2,400 units in 1993, activity will remain at low levels. While single-detached starts remained depressed, demand from first-time buyers for homes with accessory apartments supported increased housing starts in early 1993. Unresolved issues surrounding public sector cutbacks served to dampen demand for existing homes during the first quarter of 1993 with MLS sales falling approximately 15 per cent from a year earlier. Timing for resolution of public sector issues will determine the extent of the recovery in economic conditions and housing demand. Cost advantages associated with the purchase of an existing home, compared to a newly constructed unit, and government incentives to homebuyers will boost total MLS sales 3.9 per cent to 1,900 units this year. The average MLS house price is forecast to go up 2.6 per cent in 1993 reflecting gains in the sale of higher priced homes.

As overall economic conditions strengthen, associated employment growth and improved consumer confidence will lead to further advances in housing demand in 1994. The recovery in housing markets will continue at a gradual pace with MLS sales forecast to increase 5.3 per cent to 2,000 units next year. Reduced inventories and increased demand will support a 6.3 per cent increase in housing starts to 2,550 units in 1994.

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*Western  
provinces  
should show  
the best  
performance  
in 1993.*

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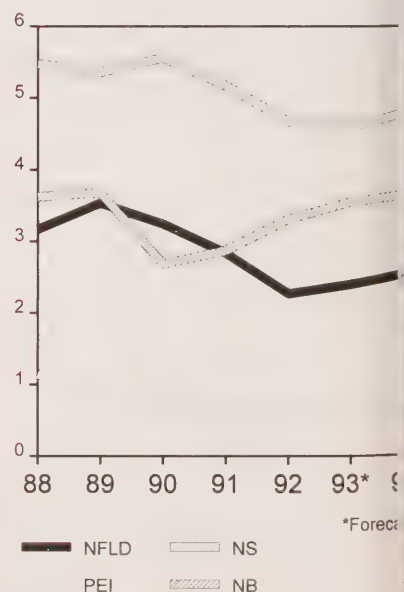
## Prince Edward Island

Delays in signing a formal agreement to construct the bridge between New Brunswick and P.E.I. will have a negative effect on an economic and housing sector recovery. Although employment levels during the first quarter are the highest since 1990, unemployment rates remain high. The labour force has swelled to record highs for this time of the year. Expectations for employment

opportunities due to the bridge have been very positive. At this point, there are no other initiatives, or combinations of projects, which are capable of making a significant impact on the economy. Based on the experience of other provinces in the region, the next provincial budget is expected to be anything but stimulative.

Postponement of bridge construction has led to a reduction in the MLS sales forecast to 630 units for 1993 and 700 units in 1994. This decrease in demand is expected to have a negative effect on the average sale price, reducing the forecast to \$76,000 for both 1993 and 1994. Employment and income growth for the next two years are tied to the bridge. Any setback beyond the second quarter would result in a downward revision of the housing starts forecast.

**Housing Starts  
Units Thousands (Annually)  
Atlantic Region**





## Nova Scotia

The economic recovery in Nova Scotia has been almost imperceptible in the first quarter of 1993. A steady mixture of good and bad economic news is constraining confidence. Moreover, persistently high unemployment rates, and the potential for public service and defense cutbacks, represent strong limiting factors for the 1993 and 1994 economic and housing industry outlooks. Nonetheless, the economy is expected to follow the rest of Canada's lead, and slowly build strength. Housing market activity will represent one of the few relatively bright spots in the economy in 1993 and 1994, spurred on by single and semi-detached house construction and sales.

Despite a weak economy, the existence of favorable mortgage rates and financial housing programs will draw out many home buyers this year. These incentives will trigger a solid performance in the new and existing housing markets. Housing starts are expected to decrease slightly by 1.5 per cent in 1993 before returning to more historically normal levels in 1994. The decrease in starts is attributable to a relatively large drop in apartment construction, a reaction to an oversupply of units. The sales of existing homes will continue at the high level established last year, but is not expected to grow over the forecast period.

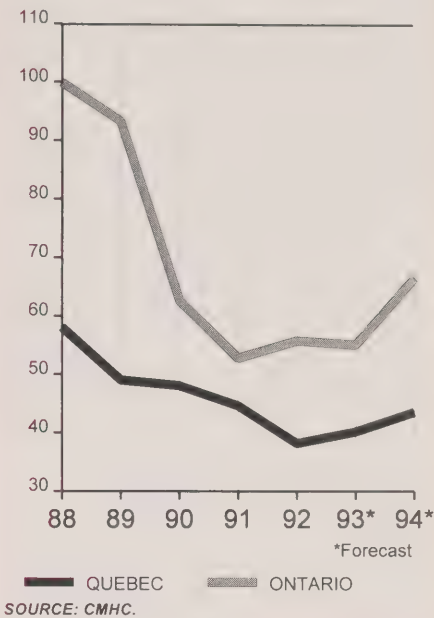
## New Brunswick

Rising employment and expanding retail sales are leading to an improvement in consumer confidence in New Brunswick. Combined with continued low financing costs, the upturn in consumer attitudes will support an increase in demand for homeownership this year.

The resale market this spring will be buffeted by first-time homebuyers looking to take advantage of low house prices and an ample supply of homes for sale. It will not be until later this summer, as job security concerns recede, that move-up buyers will begin to re-enter the market in any numbers. Total sales this year will increase by 250 units to reach the 3,800 unit mark. A large inventory of homes on the market this year will keep price growth to a modest three per cent.

Residential construction activity will increase by seven per cent during 1993. Growth will be supported by an increase in the construction of single family dwellings. Pent-up demand from move-up buyers, which should surface in the early summer months will lead to the production of larger homes during the second half of the year. Rising vacancy rates in rental markets across the province will dampen the production of apartments and other multiple family units this year. Multiple starts which totaled 919 in 1992 will, however, not slip below the 750 mark this year.

**Housing Starts  
Units Thousands (Annually)  
Quebec and Ontario**



## Quebec

Residential construction activity bottomed out during the first quarter with 30,000 housing starts (at a seasonally adjusted annual rate). Activity is expected to pick up, however, over the rest of 1993 and in 1994 with renewed consumer confidence and an upswing in the resale market. The recovery should be modest, however, with 40,200 new units being forecast for 1993 and 43,600 for the following year. In spite of low interest rates, a slack labour market, a large number of vacant units and a net migration rate below the level observed during the past few years will make this a limited recovery.

Residential construction, still dominated by first-time buyers during the first quarter of this year, will change its focus over the next several months as

move-up buyers gradually return to the market. During the first quarter there was an increase in the demand for houses priced at \$120,000 +. Detached house construction will benefit most from this shift in demand, with a forecasted 18 per cent growth rate in starts for 1993 and a ten per cent growth rate for 1994. Conversely, semi-detached and row houses, alternatives to detached houses in times of recession, will prove less popular. The demand for condominiums will also shift gradually from first-time buyers to move-up buyers interested in the intermediate and top-of-the-line models. A slight upturn of 1.4 per cent is expected this year followed by stronger growth in the ten per cent range in 1994 as the surplus supply of vacant luxury units is absorbed. In the rental product, the record number of vacant units and the weak demand from the under 25 year old age group will mean reduced construction activity in 1993. According to the forecasts, the number of rental starts will fall by 9.7 per cent in 1993, for a total of 7,000 units, and then surge by 21.4 per cent in 1994 to 8,500 units.

After a short setback in the first quarter, sales of existing units should pick up again to register a slight gain in 1993 and a 3.1 per cent increase the following year. A higher sales volume and the increasing visibility of move-up buyers will push the average MLS price up by 2.7 per cent in 1993 and by four per cent the following year.

## Ontario

Despite Ontario's housing markets showing a disappointing weakness in the first quarter, 1993 starts should nearly match last year's. Starts fell to 42,600 SAAR from 1992's total of 55,772 as government assisted rental and co-op starts plummeted. Privately initiated multiple home starts partially offset this decline and rose more than a fourth from last year's first quarter. Condominium starts doubled. Shaky consumer confidence, harsh winter weather and a large selection of rental housing pushed down demand in existing homeownership markets. Seasonally adjusted MLS sales dropped in all ten of Ontario's major metropolitan areas. Ontario's seasonally adjusted average MLS price also inched down.

Economics and demographics look favourable for future growth in housing demand. Employment has been rising since August 1992. By March, recession ravaged Ontario had recovered over one third of the 313,000 jobs lost during the economic downturn. Ontario's index of consumer attitudes is up from the previous quarter, but it has not shown a significant resurgence yet. More than half of Canada's record number of immigrants last year came to Ontario. This resulted in the highest net Ontario migration level in several decades. Despite the fact that new arrivals tend to rent first and move into homeownership later, vacancies increased in most centres. Renters either

doubled up or took advantage of government programs to stimulate homeownership.

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***Jobs, migration  
and affordable  
carrying costs will  
fuel next year's  
housing markets.***

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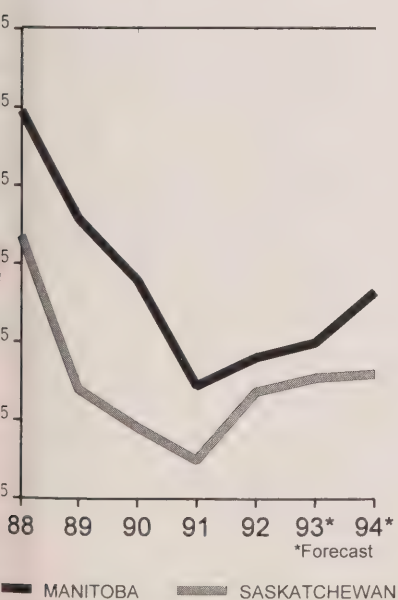
Single-detached home starts should reach 32,000 this year and increase another 23.4 per cent in 1994. Single starts will pick up in the second half of 1993, after the resale market improves. Multiple unit starts should fall to 23,100 units in 1993 before moving up to 27,000 in 1994. Increases in condominium unit starts, modestly priced semi-detached and row starts will partially offset significant reductions in assisted construction. Residential MLS sales suffered a weak 1993 beginning and will finish this year 4.1 per cent lower than last year. Sales next year should jump 7.9 per cent, fueled by the consumer confidence that will come with more jobs. The average MLS price will be modestly lower this year, but it is expected to rise near the general two per cent inflation rate next year as new listings decline and demand for homeownership rebounds.



## Manitoba

Despite an improved labour market, housing activity in Manitoba faltered in the first quarter. Total housing starts were down by 31 per cent from the first three months of 1992 and sales of existing homes were substantially lower as well. While province-wide unemployment in March was the second lowest in the country, recently announced job cuts in key transport industries have subdued consumer confidence. This year's provincial budget will roll back the salaries of over 20 per cent of Manitoba's work force, eroding total gains in disposable income. The overall outlook for the province's economy remains positive, however, due to increased exports, stronger investment in manufacturing, an improved service sector and more spending on non-residential construction.

**Housing Starts**  
Units Thousands (Annually)  
Manitoba and Saskatchewan



New housing activity will also continue upwards this year, albeit at a more moderate pace than in 1992. Total housing starts will increase by eight per cent to 2,500 units this year, with a more vigorous recovery expected in 1994. Single-family starts will reach 2,000 units this year and 2,500 in 1994, as the economy gathers strength. Lower assisted activity and continued high vacancy rates will cause multiple starts to decline in 1993. Low rent increases and modest gains in condominium prices in Winnipeg will limit multiple activity in 1994, although production should exceed 1992 levels. Resale homes will continue to benefit most from the federal First Home Loan Insurance Program, with sales equalling last year's strong performance. Fewer listings will help resale house prices increase by over one per cent for the first time since 1989. A stronger economy in 1994 will lift resales by two per cent, with prices advancing to \$84,500.

## Saskatchewan

Limited employment creation left the Saskatchewan economy with sputtering economic growth in the first quarter of 1993. Concern about the impact of the provincial budget dampened consumer expenditures in the first quarter. Economic growth will be stronger throughout the remainder of the year as many of Saskatchewan's primary product exports increase and consumer spending returns. Employment growth, however,

will be weaker than it has been following other economic recoveries.

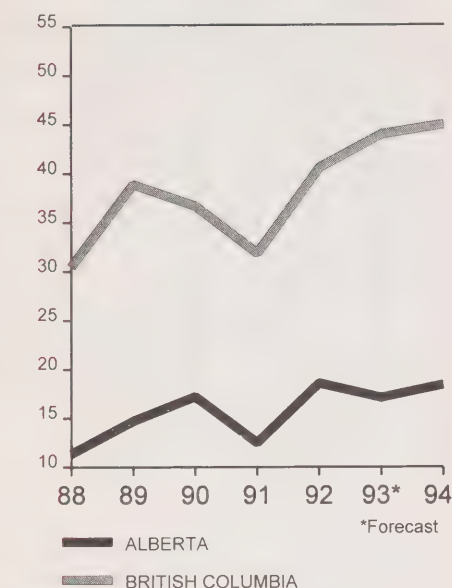
Saskatchewan's housing markets remain positive in spite of economic uncertainty. New home construction in Saskatchewan's cities during the first quarter is over 20 per cent ahead of last year's performance. New single family dwellings priced between \$120,000 and \$140,000 in Regina and Saskatoon are proving popular. New styles of construction, such as luxury condominiums, are starting to appear in the province's smaller centres. In the resale market, the inventory of listings is at its lowest level in five years. The sales trend of existing houses has been stable and remains above levels seen in 1990 and 1991. The high sales rate relative to the low number of listings has resulted in a surge in the average sale price in most centres. The increase in the average sale price of existing houses and the stronger economy to come should encourage potential move-up households to list their homes for sale.

## Alberta

Some housing markets weakened in the first quarter of 1993, primarily due to the rise in interest rates near the end of last year. Sales of existing homes were down 23 per cent while single-family starts declined over six per cent relative to the first quarter last year. In contrast, the growing appeal of condominiums to a wide range of potential purchasers, from



**Housing Starts  
Units Thousands (Annually)  
Alberta and British Columbia**



SOURCE: CMHC.

first-time buyers through empty nesters, resulted in an 84 per cent increase in multiple starts in the first quarter. Overall, total starts rose nearly ten per cent.

The expected improvement in the Alberta economy is beginning to materialize. One of the most encouraging signs is drilling activity, which was up nearly fourfold in March compared to March 1992. However, the improved performance of some key sectors of the provincial economy has not been sufficient to stem job losses, which totalled 8,000 in the first quarter of the year. While recent declines in interest rates will support housing demand for the balance of 1993, the weaker employment outlook means somewhat softer housing markets than previously anticipated. Resale volumes, which were stimulated by pent-up demand in 1992, are expected to decline nine per cent this

year. Starts of single-family homes are expected to decline 13 per cent this year, reflecting developments on the resale market and, to some extent, higher costs and prices resulting from recent increases in the price of lumber. With the majority of home buyers emphasizing debt reduction, new condominiums will continue to be in high demand, providing an affordable, low-maintenance alternative to single-family homes. The multiple-family market should post strong growth this year, with starts forecast to increase eight per cent to 4,800 units.

## ***Record starts, sales and prices in B.C.***

### **British Columbia**

The housing market cooled over the winter months. MLS sales and single-family construction were affected by colder than usual weather. Sales were already on a downtrend following the sharp spike in rates last November. The cold weather pulled sales down further until March. Interestingly, the sales downturn did not lead to lower prices. The average B.C. MLS residential price rose throughout the quarter and new house prices stayed up. Condomin-

ium construction also bucked the overall trend. Completed, unsold house and condominium inventories edged down steadily. The housing recovery was diverted away from new heights in the first quarter, but this recovery still appears to be on track.

Several factors will sustain this recovery through 1994. The economy is forecast to expand more vigorously despite the weaker first quarter employment result. Migration to B.C. is expected to remain high, at well above historical levels, but will decline due to fewer migrants from Ontario. Mortgage rates, which have propelled this market upward for over two years, are expected to stay low. The government home purchase programs will continue to spur sales. If these programs end as scheduled in the first quarter 1994, sales will be brought forward and bunch up. Lot supply constraints in the single-family sector will likely continue to hold back construction and push up prices. High prices will limit demand but affordability should remain above the critical level. On balance, housing gains are expected to continue.

The shift to multiple-unit housing forms will grow. These higher density, more affordable housing units are a viable option in the high land cost areas of B.C. Condominium starts and sales are forecast to have the highest growth rates. Housing starts, sales, and prices are forecast to be at record levels over the next two years. ■

## Housing Starts

### Total (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	3168	3536	3245	2836	2271	2400	2550
%	18.1	11.6	-8.2	-12.6	-19.9	5.7	6.3
PEI	1151	815	762	553	644	600	630
%	23.4	-29.2	-6.5	-27.4	16.5	-6.8	5.0
NS	5478	5359	5560	5173	4673	4600	4800
%	-15.2	-2.2	3.8	-7.0	-9.7	-1.6	4.3
NB	3621	3681	2683	2872	3310	3550	3650
%	-2.6	1.7	-27.1	7.0	15.3	7.3	2.8
QUE	58062	49058	48070	44654	38228	40200	43600
%	-21.7	-15.5	-2.0	-7.1	-14.4	5.2	8.5
ONT	99924	93337	62649	52794	55772	55100	66500
%	-5.0	-6.6	-32.9	-15.7	5.6	-1.2	20.7
MAN	5455	4084	3297	1950	2310	2500	3150
%	-33.3	-25.1	-19.3	-40.9	18.5	8.2	26.0
SASK	3856	1906	1417	998	1869	2050	2100
%	-21.2	-50.6	-25.7	-29.6	87.3	9.7	2.4
ALTA	11360	14712	17227	12492	18573	17100	18400
%	5.3	29.5	17.1	-27.5	48.7	-7.9	7.6
BC	30487	38894	36720	31875	40621	44000	45000
%	5.3	27.6	-5.6	-13.2	27.4	8.3	2.3
CAN	222562	215382	181630	156197	168271	*172100	*190400
%	-9.5	-3.2	-15.7	-14.0	7.7	2.3	10.6

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Singles (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2839	2932	2468	2135	1611	1700	1900
%	12.2	3.3	-15.8	-13.5	-24.5	5.5	11.8
PEI	704	456	483	376	421	450	500
%	0.7	-35.2	5.9	-22.2	12.0	6.9	11.1
NS	3867	3361	3639	2604	3232	3500	3500
%	-6.1	-13.1	8.3	-28.4	24.1	8.3	0.0
NB	2953	2909	2137	2154	2391	2800	3000
%	-0.1	-1.5	-26.5	0.8	11.0	17.1	7.1
QUE	27724	24493	24942	22531	18564	21900	24000
%	-11.8	-11.7	1.8	-9.7	-17.6	18.0	9.6
ONT	57099	53511	32425	26290	27868	32000	39500
%	-12.1	-6.3	-39.4	-18.9	6.0	14.8	23.4
MAN	3601	2966	2847	1589	1683	2000	2500
%	-22.2	-17.6	-4.0	-44.2	5.9	18.8	25.0
SASK	2246	1383	1087	775	1484	1650	1700
%	-25.0	-38.4	-21.4	-28.7	91.5	11.2	3.0
ALTA	9671	12345	13809	9778	14125	12300	13200
%	1.9	27.6	11.9	-29.2	44.5	-12.9	7.3
BC	17761	21612	18478	18335	21472	21000	21000
%	8.6	21.7	-14.5	-0.8	17.1	-2.2	0.0
CAN	128465	125968	102315	86567	92851	*99300	*110800
%	-8.3	-1.9	-18.8	-15.4	7.3	6.9	11.6

### Multiples (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	329	604	777	701	660	700	650
%	116.4	83.6	28.6	-9.8	-5.8	6.1	-7.1
PEI	447	359	279	177	223	150	130
%	91.0	-19.7	-22.3	-36.6	26.0	-32.7	-13.3
NS	1611	1998	1921	2569	1441	1100	1300
%	-31.2	24.0	-3.9	33.7	-43.9	-23.7	18.2
NB	668	772	546	718	919	750	650
%	-12.0	15.6	-29.3	31.5	28.0	-18.4	-13.3
QUE	30338	24565	23128	22123	19664	18300	19600
%	-29.0	-19.0	-5.8	-4.3	-11.1	-6.9	7.1
ONT	42825	39826	30224	26504	27904	23100	27000
%	6.3	-7.0	-24.1	-12.3	5.3	-17.2	16.9
MAN	1854	1118	450	361	627	500	650
%	-47.7	-39.7	-59.7	-19.8	73.7	-20.3	30.0
SASK	1610	523	330	223	385	400	400
%	-15.3	-67.5	-36.9	-32.4	72.6	3.9	0.0
ALTA	1689	2367	3418	2714	4448	4800	5200
%	30.4	40.1	44.4	-20.6	63.9	7.9	8.3
BC	12726	17282	18242	13540	19149	23000	24000
%	1.1	35.8	5.6	-25.8	41.4	20.1	4.3
CAN	94097	89414	79315	69630	75420	*72800	*79600
%	-11.1	-5.0	-11.3	-12.2	8.3	-3.5	9.3

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2217	2040	1998	1892	1829	1900	2000
%	16.3	-8.0	-2.1	-5.3	-3.3	3.9	5.3
PEI	505	626	742	764	604	630	700
%	-0.4	24.0	18.5	3.0	-20.9	4.3	11.1
NS	5734	5863	6072	5811	7061	6700	6500
%	-2.9	2.2	3.6	-4.3	21.5	-5.1	-3.0
NB	3518	3490	3316	3259	3550	3800	4100
%	19.3	-0.8	-5.0	-1.7	8.9	7.0	7.9
QUE	30503	30618	28067	28005	31946	32000	33000
%	2.0	0.4	-8.3	-0.2	14.1	0.2	3.1
ONT	160578	142914	102792	126143	131381	126000	136000
%	19.5	-11.0	-28.1	22.7	4.2	-4.1	7.9
MAN	11129	10375	9356	9521	11383	11400	11650
%	-10.0	-6.8	-9.8	1.8	19.6	0.1	2.2
SASK	7301	6850	6405	6505	7829	7200	7000
%	-7.3	-6.2	-6.5	1.6	20.4	-8.0	-2.8
ALTA	30368	36249	33085	34360	38545	35000	36000
%	9.9	19.4	-8.7	3.9	12.2	-9.2	2.9
BC	67460	83562	58027	84554	93564	94000	97000
%	19.7	23.9	-30.6	45.7	10.7	0.5	3.2
CAN**	319313	322587	249860	300814	327692	*318600	*334000
%	14.1	1.0	-22.5	20.4	8.9	-2.8	4.8

### Average Residential Price (dollars and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	76828	83284	88654	90823	91591	94000	97000
%	4.6	8.4	6.4	2.4	0.8	2.6	3.2
PEI	65464	74167	69284	71034	75570	76000	76000
%	11.2	13.3	-6.6	2.5	6.4	0.6	0.0
NS	79591	82328	84649	86462	89498	90100	91700
%	0.9	3.4	2.8	2.1	3.5	0.7	1.8
NB	72101	75848	77752	80897	82478	85074	87469
%	6.6	5.2	2.5	4.0	2.0	3.1	2.8
QUE	95367	100517	100811	102795	102311	105100	109300
%	10.9	5.4	0.3	2.0	-0.5	2.7	4.0
ONT	161270	184605	175859	173723	162827	161000	164000
%	18.9	14.5	-4.7	-1.2	-6.3	-1.1	1.9
MAN	80427	82401	79961	80445	80686	82000	84500
%	4.4	2.5	-3.0	0.6	0.3	1.6	3.0
SASK	68355	70417	68963	67697	68406	70198	71568
%	3.9	3.0	-2.1	-1.8	1.0	2.6	2.0
ALTA	89554	98542	108675	111482	113558	118000	122000
%	6.7	10.0	10.3	2.6	1.9	3.9	3.4
BC	121040	151504	157616	168235	189999	212000	221000
%	18.8	25.2	4.0	6.7	12.9	11.6	4.2
CAN**	131526	148776	143432	149749	150772	*157900	*163000
%	18.1	13.1	-3.6	4.4	0.7	4.7	3.2

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.

## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	91:Q3	91:Q4	92:Q1	92:Q2	92:Q3	92:Q4	93:Q1
<b>New housing</b>							
Building permits, units, thousands	186.9	183.8	178.4	167.8	165.3	164.6	..
%	8.6	-1.7	-2.9	-5.9	-1.5	-0.4	..
Housing starts, total, thousands	178	180	169	168	169	169	146
%	16.4	0.8	-6.1	-0.4	0.4	-0.1	-13.6
Housing starts, singles, thousands	100	95	85	92	92	100	74
%	14.6	-4.2	-10.9	7.9	0.4	8.8	-25.7
Housing starts, multiples, thousands	79	84	84	76	77	68	71
%	18.7	7.3	-0.7	-8.8	0.4	-10.7	3.9
Housing completions, total, thousands	156	159	169	173	179	172	149
%	1.3	1.5	6.6	2.5	3.2	-3.6	-13.3
New house price index, 1986=100	134.5	134.3	133.8	134.0	134.6	134.9	..
%	0.5	-0.2	-0.4	0.2	0.4	0.2	..
<b>Existing housing</b>							
MLS resales, units, thousands	285.7	278.1	311.4	333.8	339.5	326.1	245.6
%	-21.7	-2.7	12.0	7.2	1.7	-3.9	-24.7
MLS average resale price, \$C thousands	148.2	147.1	146.2	150.1	153.4	154.2	152.4
%	-4.0	-0.7	-0.6	2.7	2.2	0.5	-1.2
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	254.7	260.9	266.8	273.3	279.1	286.2	..
%	2.6	2.4	2.3	2.4	2.1	2.5	..
Mortgage approvals, \$C billions	77.5	70.1	83.2	73.6	85.6	90.8	..
%	1.7	-9.5	18.7	-11.5	16.3	6.1	..
1-year mortgage rate, per cent*	9.92	8.92	8.67	8.17	6.50	8.15	7.55
5-year mortgage rate, per cent*	11.42	10.18	10.00	9.93	8.71	9.42	9.32
<b>Residential investment**</b>							
Total, \$1986 billions	31.7	32.4	32.2	32.8	33.7	33.7	..
%	4.1	2.1	-0.4	1.7	2.8	0.0	..
New, \$1986 billions	14.8	16.1	15.1	15.3	15.7	16.0	..
%	15.8	8.8	-5.9	1.3	2.5	1.8	..
Alterations, \$1986 billions	10.6	10.3	10.2	10.4	10.6	10.7	..
%	3.6	-2.5	-1.4	2.2	2.2	1.1	..
Transfer costs, \$1986 billions	6.3	6.0	6.9	7.0	7.4	6.9	..
%	-15.4	-5.8	16.0	1.9	4.3	-5.5	..
Deflator, 1986=100	135.2	134.3	136.0	136.2	137.2	137.7	..
%	-0.6	-0.7	1.3	0.1	0.7	0.4	..

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.







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1993

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Canada



**NATIONAL HOUSING OUTLOOK  
THIRD QUARTER, 1993**

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CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared August, 1993

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# Executive Summary

## Canada

Although the new housing market will continue to improve in the second half, construction totals for 1993 will not reach 1992 levels.

The forecast of 156,300 new housing starts for 1993 is 7.1 per cent lower than the total for 1992. Both single-detached and multiple-unit construction will be affected by the slow-down.

Starts on single-detached units will drop from 92,851 units in 1992 to 86,400 units in 1993, largely as a result of curtailed consumer confidence and a scarcity of move-up buyers. However, first-time home buyers using federal home ownership programs will continue to stimulate the single-detached market.

Multiple-unit starts will slide down to 69,900 in 1993, from 75,420 in 1992. The reduction in social housing construction in Ontario will cause most of the decline.

In 1993, low interest rates, more affordable prices and high levels of immigration will not be enough to give the housing market the boost it needs to reach 1992 levels. But 1994 will see improved economic conditions and a more positive job outlook. Housing markets in 1994 are also expected to benefit from the extension of the First Home Loan Insurance program. The 95 per cent mortgage financing program will contribute to an improving performance in both the new and resale markets.

As a result, new construction will rise above 1993 levels, with an expected 170,400 housing starts. Both single-detached and multiple units will record higher start levels next year.

The resale market will exhibit the same general pattern, with a retreat in 1993 preceding an advance in 1994. Total sales in 1993 will likely reach 310,200 units, an overall decline of 5.4 per cent compared to 1992. Brighter economic prospects will then lift sales of existing houses by 5.2 per cent in 1994, to 326,200 units.

Regional pictures vary widely, from a 27-year housing-start low in Newfoundland, to record-breaking construction figures in British Columbia.

---

***Housing starts  
down to 156,300  
units in 1993 but  
will rebound to  
170,400 units in  
1994.***

---

## Newfoundland

The current weakness of the Newfoundland economy limits prospects for recovery in the housing market over the next year.

Lower interest rates will not be enough to offset the impact of high unemployment and migration of residents out of the province. The slow economic growth is largely due to restrictions on the fishing industry and public sector restraints, although the Hibernia project is countering these factors to some degree.

In 1993, housing starts will slip to a 27-year low, declining 3.1 per cent to 2,200 units. Despite a mod-

est improvement in job prospects, total housing construction will remain at this low level in 1994. An ongoing supply of affordable homes will support marginal gains in the resale market.

## Prince Edward Island

Prince Edward Island's housing market will end the year on a mixed note. Single-detached starts and resale transactions will rise in response to low mortgage rates, stable prices and government incentives. However, a large drop in apartment construction, including social housing units, will restrain total housing starts to 550 units for 1993.

In 1994 single-detached construction will increase as Prince Edward Island feels the economic benefits generated by the new GST processing centre and the anticipated fixed link project. Work on the fixed link is expected to begin in the last quarter of 1993.

## Nova Scotia

Housing starts will slide to 4,150 in 1993 and then edge up to 4,200 units in 1994, as Nova Scotia faces a slow economic recovery, modest job growth and migration out of the province.

Starts on multiple units will be down 31 per cent, to about 1,000 units in both 1993 and 1994 because of high vacancy rates, weakening rental demand, cautious lenders and the large volume of units under construction at midyear.

Starts on single-detached units will fall slightly this year and rise in 1994. Meanwhile, the resale market will gradually fall back from its sales peak of 1992 now that the needs of many first-time buyers have been met.

## **New Brunswick**

Stable housing prices, attractive financing and more job opportunities spell historic highs in 1993 and 1994 for the province's resale housing market. Single starts will also rise, to 2,700 in 1993 and then to 2,850 in 1994, as move-up buyers return to boost this segment of the housing industry.

The only slow spot will be the multiple-unit market, which will feel the effect of reduced demand for rental accommodation until the end of next year. In general, the housing market mirrors the province's economy which is performing relatively well.

## **Quebec**

In 1993, a weak job market and higher taxes will combine to produce the lowest number of housing starts in this province since 1982.

Attractive interest rates on their own are not enough to revive the move-up market. As a result, fewer starts on single-detached houses are forecast. Meanwhile, as renters become homeowners, they are leaving behind a surplus of rental units, causing a sharp drop in the construction of new multiple units.

In 1994, renewed consumer confidence and a more active resale market will boost demand for new housing, including move-up homes, so that single-detached starts will increase. A gradual decline in rental vacancy rates will also prompt more multiple-unit starts. The housing recovery will accompany economic growth of about three per cent and moderate improvements in employment.

## **Ontario**

Private sector housing will stage a modest comeback during the remainder of 1993 and throughout 1994, propelled by a stronger employment picture, migration to the province and low interest rates. Nevertheless, the slowdown in the

first half of the year and a sharp drop in the number of multiple social-housing starts will cause the total number of housing starts for 1993 to fall by 18.4 per cent.

A recovering economy with employment growth of about two per cent in 1993 and again in 1994, plus increased exports, business investment and consumer spending will bring a turnaround during 1994. Private sector starts will increase by 10,000 units. A similar jump in the resale market will also stimulate demand for new move-up homes.

## **Manitoba**

New housing starts for 1993 will be only 100 units ahead of the record low in 1991. The combination of high unemployment and lack of growth in real income levels will make consumers more cautious in their buying habits.

Single-detached starts will remain close to 1992 levels. Multiple unit construction will fall in response to cutbacks in social housing and high vacancy rates in rental units.

In 1994, housing starts will rise to 2,500 units on the strength of an improved job market, renewed consumer confidence and reduced migration away from the province. Activity will also increase in the resale market. Overall, however, the province's economy will perform below the national average in both 1993 and 1994.

## **Saskatchewan**

Housing starts in 1993 will reach their highest level since 1988, as many rural residents take advantage of lower interest rates to relocate to urban areas. This internal resettling offsets the effects of large scale migration out of the province. In addition, the resale market will again benefit from first-time buyers with 95 per cent financing.

In 1994, the market for single-detached new houses in cities will be as strong as in 1993, while a

slight increase is expected in multiple-unit construction. The provincial economy is forecast to grow by two per cent in 1993 and three per cent in 1994, with the agricultural sector leading the way.

## **Alberta**

Housing starts will drop nearly 10 per cent in 1993, a reflection of a continuing scarcity of jobs and strong activity in the housing market last year. Since many consumers made the move to buy in 1992, there is less demand this year.

Multiple-family unit construction, particularly condominiums, will likely be higher because these units are more affordable than single-detached homes. Single-detached starts, however, will be lower.

Marginal declines are expected in both the new construction and the resale market in 1994. Economic stimuli from the oil, gas, forestry and manufacturing sectors will be offset in part by provincial government spending cuts to reduce the provincial deficit.

## **British Columbia**

Housing starts and resale activity are expected to remain high in both 1993 and 1994, sustained by an improving economy, a high volume of migration to the province and attractive mortgage rates.

In this thriving environment, the main constraints are affordability and a shortage of developed land in major urban areas. Housing construction is expected to break the 1981 record, with about 43,000 starts in each of 1993 and 1994. The more affordable multiple units will again take the lion's share of the new housing construction market. Housing prices will rise again in 1994, but more moderately than in 1993. Residential investment continues to be one of the key engines of growth in B.C.'s expanding economy. ■



# Canada

by Gilles Proulx



## Housing Markets Recover

First-time buyers gave the flagging housing market a boost in the second quarter of 1993, enabling it to recover from a first-quarter low. CMHC's popular First Home Loan Insurance program, which registered its 110,000th participant by midyear, helped encourage the trend.

Because of first-time-buyer demand, the resale market and new multiple-unit construction led the housing market recovery. The market for move-up buyers, however,

remained subdued, and sales of new single-detached homes and larger homes was slow.

The overall increase in activity reflected a buyers' market in most communities and a continuing decline in mortgage interest rates. The market is also feeling the effects of improved economic conditions since the middle of 1992.

The increase in home ownership, coupled with unemployment, also contributed to reduced rental demand. By April 1993, the apartment vacancy rate in urban centres was 4.7 per cent, down slightly from its high of 4.8 per cent in October 1992, but still higher than the April 1992 level of 4.4 per cent. Quebec is the only province that did not see its vacancy rate rise.

The resale market recovered fully since the first quarter. Sales through the Multiple Listing Service (MLS)\* reached an annual rate of 342,000 units, up 37.4 per cent from 249,000 in the first three months of the year. The average resale price also recovered from a small, first-quarter drop.

The overall market for new housing registered a slight improvement in the second quarter over the first three months of the year, but the market still hasn't reached 1992 levels of activity. Only four provinces Prince Edward Island, New Brunswick, Quebec and Saskatchewan posted gains. New housing construction reached 153,500 units

on a seasonally adjusted basis at an annual rate, up 5.5 per cent from 145,500 units in the first quarter of 1993. Multiple units drove the slight recovery in both urban centres and in small towns and rural areas.

## 1993-94 Outlook

### Growth to be Steady but Slow

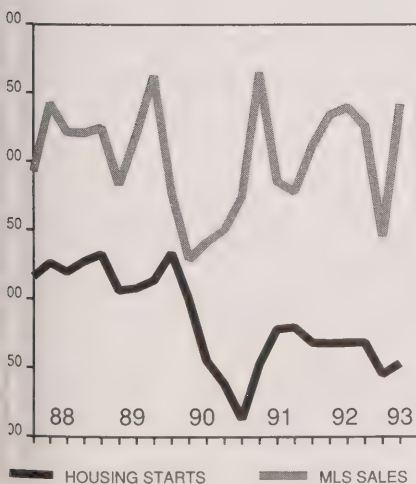
Although Canada's economy edged upwards in early 1993, the pace of recovery was slower than expected. The main reasons are restructuring in the private and public sectors and subdued consumer confidence.

Consumers, faced with employment uncertainties, provincial tax hikes and government spending cuts, have been cautious lately, as shown by the Index of Consumer Attitudes, published by the Conference Board of Canada. The Index fell by the middle of 1993 to mid-1990 lows.

Nevertheless, the economy will continue to expand, registering a growth in gross domestic product (GDP) of 2.6 per cent in 1993, and a stronger 3.2 per cent increase in 1994.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

**Housing Starts and Residential MLS Sales**  
Seasonally adjusted at annual rates  
Thousands of Units (Qtrly)  
CANADA



SOURCES: CMHC; The Canadian Real Estate Association

The domestic market will benefit from external and internal factors. A brighter economic picture in the United States will translate into sustained demand for Canadian exports and higher corporate profits that stimulate investment. In Canada, reduced personal debt and an increase in disposable income will fuel a gradual improvement of consumer confidence and spending.

Interest rates will remain relatively low, despite a sudden reversal, in August 1993, of the general downward trend. This jump is expected to be temporary and to have only a minor negative impact on housing markets.

Overall, a moderate increase in interest rates is expected in 1994. This is in line with the forecast of a gradual increase in U.S. interest rates, beginning later in 1993. The one-year mortgage rate in 1994 is expected to reach 7 per cent, up half a percentage from the level in the second quarter of 1993. The five-year rate is expected to level off slightly below 9 per cent. These rates will still be among the lowest in the past 25 years, reflecting a soft economy and low inflation.

On a regional basis, British Columbia's rapidly-expanding population will contribute to increased demand for services and GDP growth rates in 1993 and 1994 of 3.8 and 4 per cent, respectively, the highest of any Canadian province.

In 1993, growth of GDP in Prince Edward Island, Quebec, Ontario and Alberta will likely be close to the national average (2.6 per cent). Other provinces are expected to grow by 1 to 2 per cent.

By 1994, recovering manufacturing industries will boost Ontario's performance to B.C. levels (4 per cent). Most of the other provinces will grow by 2.5 to 3.5 per cent. However, Newfoundland and Nova Scotia, continuing to reel from the effects of restrictions on the fishing

industry, will only grow by 1.5 to 2 per cent.

## Housing Market will be Lower in 1993

Despite continuing improvements in the housing market, activity in 1993 will not reach 1992 levels. By 1994, however, both housing starts and the resale market will be posting healthier gains. These changes will be supported by a gradually recovering economy, a more stable job outlook and affordable house prices.

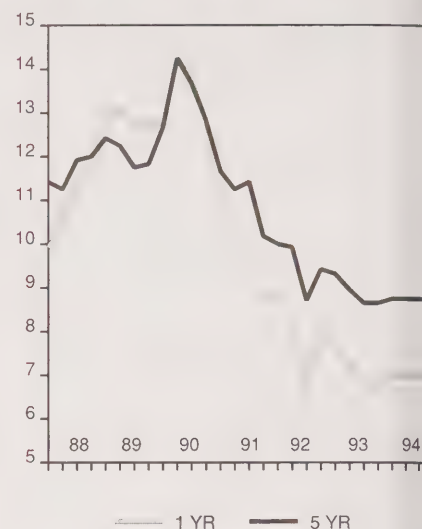
The forecast of 156,300 housing starts in 1993 is 7.1 per cent lower than the figure for 1992. Single-detached and multiple unit markets are affected equally by the low level of activity.

The 1993 total breaks down into 86,400 single-detached units (compared to 92,851 units in 1992) and 69,900 multiple units (compared to 75,420 units in 1992). The low level of single-unit construction is due mainly to consumer caution in the move-up market, while the decline in multiples is related to reduced social housing construction in Ontario.

Provincially, only New Brunswick, Saskatchewan and British Columbia will record higher levels of construction in 1993; in the other seven provinces, activity will most likely be lower. The biggest drop will be in Ontario, mainly because fewer new social housing units are being built. Declines in Quebec and Manitoba are the result of the weak performance of key industries in these provinces.

Cautious consumers are behind the anticipated decline in single starts. New construction of single-detached units, especially in Ontario, will be well below the highs of the late 1980s and also below the long-term trend of housing demand. Other contributing

**Mortgage Rates  
Per cent  
Major Financial Institutions**



SOURCE: Bank of Canada Review.  
1993-94 CMHC forecast.

factors to the decline in single-detached housing starts include:

- a shortage of developed land and high prices in urban areas in British Columbia; and
- a shortage of jobs in Quebec and Alberta, coupled with the surplus of new, unoccupied single-detached housing units in these provinces.

The reduction in the level of social housing construction in Ontario will cause most of the overall drop in multiple starts. Construction activity for other kinds of multiple housing will remain at 1992 levels. These include semi-detached units, row units, apartments and condominiums. British Columbia will contribute substantially to the condominium and row housing totals, with a provincial increase of nearly 5,000 of these more affordable units. Condominium activity will result from a sharp reduction in the stock of unoccupied new condominium units on the market, especially in Vancouver and Toronto.



## Steady Recovery of Housing Markets in 1994

In 1994, home construction will steadily recover and surpass 1992 levels, with an expected 170,400 starts. There will be 9.0 per cent more starts in single-unit and multiple-unit construction in 1994 than in 1993.

Recovering industries in the central provinces should kick-start economic activity in 1994, especially in Quebec and Ontario. Overall single-detached housing starts are expected to rise to 95,800 units, up 10.9 per cent. To the west, British Columbia and Alberta will post declines, while Saskatchewan and Manitoba will register small increases in new home construction. The overall level of new housing activity will remain the same in the Atlantic region as in 1993: higher in Prince Edward Island, marginally lower in Nova Scotia and New Brunswick, and unchanged in Newfoundland.

In 1994, multiple starts will rise 6.9 per cent to 74,700 units as a result of stronger demand in Ontario and Quebec mainly for condominiums. Marginally higher activity in the multiples market is also forecast for Manitoba, Saskatchewan and British Columbia.

The national vacancy rate is forecast to decrease gradually to 4.4 in 1994. The progressive reduction will accompany increased demand for rental housing as the employment situation improves.

## Resale Market will Improve in 1994

On the resale market, total sales are expected to slide down to 310,200 units in 1993. Only four provinces Newfoundland, Prince Edward Island, Nova Scotia and Quebec will register moderate increases. In 1994, resale activity should

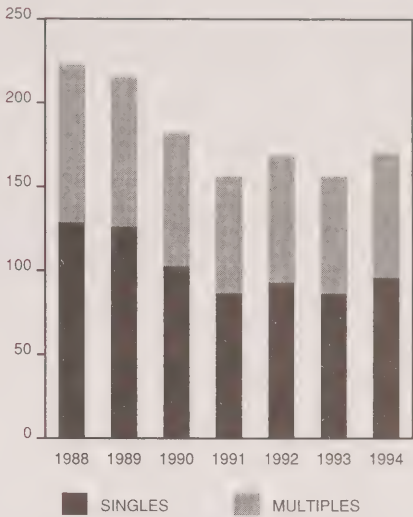
improve by 5.2 per cent, for a sales total of 326,200 units. These gains will reflect a gradual improvement of the economy, better job prospects and a housing market that remains affordable, especially with the extension of the First Home Loan Insurance program.

The average resale price in 1993 will reach \$156,800, up 4.0 per cent from the 1992 level. British Columbia will fuel the increase with strong consumer demand that will push up resale prices in this province by 13.2 per cent. Except for Ontario, all provinces will post only moderate increases of 3.3 per cent or less.

Resale prices will increase by another 3.0 per cent in most provinces in 1994, and resale volume will be higher. British Columbia price increases will lead the way again, this time with a moderated increase of 4.2 per cent.

Prices for new houses will likely rise at a slower rate. Following a substantial drop in 1991 and then a year of stagnation, new houses prices will inch up in 1993 by an average of 0.4 per cent. Local figures will range from a decrease of 3.7 per cent in Hamilton to an increase of 8 per cent in Vancouver. In 1994, the average new house price is expected to rise about 1.5 per cent. Prices will rise in all major metropolitan areas, with the exception of Toronto where they will remain close to 1993 levels. ■

**Housing Starts**  
**Thousands of Units (Annually)**  
**CANADA**



SOURCE: CMHC.  
1993-94 Forecast



# Newfoundland

by Mac Woodman and Brian Martin

## Highlights

- Fishery restrains new construction
- Marginal gains forecast for resale market

## Housing Markets Remain Weak

The provincial housing market remained slow during the first half of 1993, reflecting further job losses and persisting low levels of consumer confidence. Rural housing starts posted major declines during the second quarter, offsetting gains early in the year. Single-unit starts remained behind last year's, falling 11.6 per cent. Despite the overall decline, multiple-unit construction advanced 22.8 per cent on the strength of continuing demand for affordably priced two-apartment homes. The average vacancy rate in the province's six largest urban centres rose to 8.4 per cent as vacancies increased, particularly in the larger rental properties.

Concerns about job security and the troubled economy held off demand for existing homes. Gains in Central Newfoundland helped to offset a drop of 9.8 per cent in MLS sales in the St. John's region, in the first six months of 1993, compared to 1992. Including the Central region of the province, provincial MLS sales declined 8.1 per cent in the first six months of 1993. The drop of 9.8 per cent in the St. John's area included declines in five of the first six months of 1993. Reduced demand and the sale of lower priced homes to first-

time buyers kept price growth low; the average price rose by less than 1 per cent.

## 1993-94 Outlook

### Uncertain Future for Fishery Tempers Economic Growth

Despite substantial investment by the Hibernia project, the economy will expand by a modest 0.9 per cent in 1993. Low growth is the offshoot of restrictions on the fishing industry and public sector restraints. Recent conservation measures implemented as a result of low fish stocks have tempered prospects for a more robust recovery in 1994. It now appears the economy will only grow by about 1.5 per cent in 1994.

Recent scientific research indicates that stocks of northern cod continue to decline despite a ban on fishing this species that began in July 1991. Since this cod stock will probably not recover until the late 1990's, it is unlikely the fishing ban will be lifted in the middle of 1994 as originally planned. The poor state of other key groundfish stocks prompted the recent suspension of the cod and American Plaice fisheries along the south coast and led to substantial quota reductions in the west coast fishery. These actions will displace an estimated 5,000 workers in addition to the 20,000 previously affected by the northern cod moratorium. While existing compensation packages have been expanded to provide assistance until May 1994, there is uncertainty about future levels of

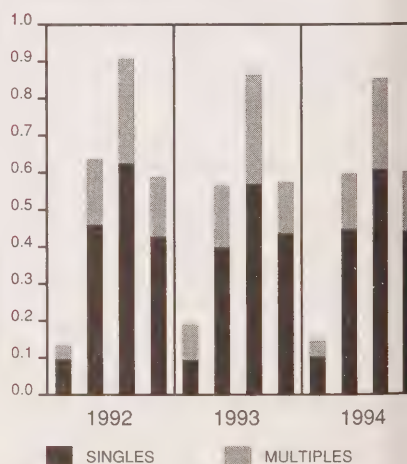
funding. Any reductions in existing levels of compensation will have a negative impact on the economy and the housing market in 1994 and in subsequent years.

Hibernia will continue to contribute the most to economic growth over the forecast period. Total investment in the project surpassed the \$1 billion mark in early 1993; nearly 40 per cent of the total has been spent within the province. Work on the Gravity Base Structure (GBS) will boost the number of jobs at the Bull Arm construction site to 2,200 before the end of the year. Project expenditures are forecast at \$1 billion in 1993 and a further \$700 million in 1994.

The outlook is mixed for other resource sectors. Tough international market conditions will limit growth in newsprint production in 1993 and 1994. Higher volumes of gold production at Hope Brook in 1993 and a

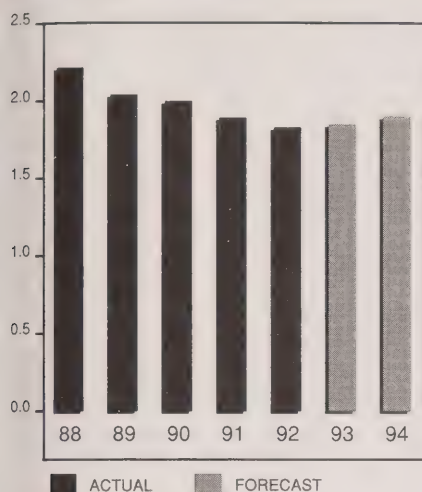


**Housing Starts**  
Thousands of Units (Qtrly)  
**NEWFOUNDLAND**



SOURCE: CMHC.  
1993-94 Forecast.

## Residential MLS Sales Thousands of Units NEWFOUNDLAND



SOURCE: The Canadian Real Estate Association.  
CMHC: Forecast.

marginal increase in demand for iron ore in 1994 will boost mining output over the forecast period.

The steady income provided by the northern cod compensation package plus replacement spending by consumers who've had their belts tightly drawn for two years will stimulate retail trade in 1993. The outlook for retail trade in 1994 will depend to a large extent on income support for fishery workers. Service sector gains will be tempered by continued fiscal restraint at all levels of government. Labour market performance will lag behind economic growth, with employment forecast to fall 0.5 per cent in 1993. Job creation will remain modest in 1994 and the unemployment rate will remain above 19 per cent. Historical levels of migration away from the province will continue in the remainder of 1993 and throughout 1994.

## Employment Concerns Slow Housing Demand

Underlying weakness in the economy, highlighted by the uncertainty surrounding the fishing industry, has moderated prospects for recovery in the housing market. Lower interest rates have not been able to offset the

negative effect of concerns over job security and continued migration away from the province. These conditions will maintain residential construction at historical low levels. Demand for new homes will be weakest in rural areas which have been hit the hardest by cutbacks in the fishing industry. An excess supply of skilled labour means continued fierce competition from non-traditional builders.

Following a major slow down last year, housing starts are forecast to decline a further 3.2 per cent this year, to 2,200 units, the lowest level in 27 years. Despite a modest improvement in employment in 1994, total housing production will remain unchanged from 1993 levels. Single-detached starts are likely to decline to 1,500 units this year before rising to 1,600 units in 1994. Multiple-unit construction, the exception to the general picture for new housing, will rise to 700 units in 1993. These units will continue to be concentrated in affordably priced, two-apartment dwellings. High vacancies will slow rental construction next year.

Low interest rates and access to affordable homeownership will contribute to marginal gains in the province's resale market over the forecast period. However, household income and employment concerns will keep sales activity at low levels. With public sector cutback issues resolved, sales activity will increase in the sec-

ond half of 1993, offsetting declines in the earlier part of the year.

In the St. John's region, total MLS sales of 1,725 units in 1993 will match activity in 1992. In 1994, employment growth and an abundant supply of affordable units will support modest gains in activity, with total MLS sales increasing marginally to 1,775 units. In central Newfoundland, MLS sales are forecast at 125 units in each of 1993 and 1994. With supply exceeding demand and a high volume of sales to first-time buyers who prefer lower priced homes, price growth will be limited in 1993 and 1994. The average provincial MLS house price is forecast to rise by 0.4 per cent in 1993, to \$92,000, and then rise a further 1.1 per cent in 1994.

Demand for larger rental projects in the St. John's area will continue to be slack as affordable homes attract first-time buyers and there continues to be a good supply of single-detached units with basement apartments. The number of available rental units will decline, however, since the closing of a relatively large private apartment building will more than offset the addition of housing units for seniors. Vacancy rates should range between 5 and 7 per cent during the balance of 1993 and 1994. Average rent increases will likely keep pace with, but not exceed, the rate of inflation. ■

### Key Provincial Indicators Newfoundland

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	-0.8	0.9	1.5
Employment (% Change)	-4.6	-0.5	1.1
Unemployment Rate (%)	20.2	19.7	19.2
Housing Starts (Units)			
Total	2271	2200	2200
Singles	1611	1500	1600
Multiples	660	700	600
MLS Sales (Units)	1829	1850	1900
Average MLS Price (Dollars)	91590	92000	93000

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.



# Prince Edward Island

by Ralph Freeze



## Highlights

- Economic growth slowed by provincial government restraint and fixed-link delays
- Singles' rise countered by rentals' decline
- Resale market mirrors 1992 activity.

## Single-Detached Home Construction Rises

Construction of single-detached homes in the second quarter reached 180 units — the highest three-month total so far in the 1990s. However, this figure is still far below the peak of over 300 units in 1987.

Single starts were evenly split between urban and rural, but it was rural areas that saw the most improvement, with a 27 per cent jump in new singles construction. The industry benefitted also from an increase in move-up buyers, many whom are seeking larger, more expensive structures. Move-up demand would be even greater if not for the relatively slow pace of the resale market, making it hard for people to sell an existing home and buy a new one.

The improvement in the singles market is countered by the weakness in rentals. This is mainly due to a glut of apartments in Charlottetown and reductions in social housing budgets. At mid-year, new rental unit construction had dropped by 60 per cent. Summerside is the only area with increasing demand for rentals.

The resale market is showing little change from the first half of last year, with MLS sales and the average sales price virtually identical to those of 1992. Economic conditions are preventing any significant movement in either prices or sales.

Summerside, location of the new Goods and Services Tax processing centre, is becoming the most promising location in P.E.I. In contrast, Charlottetown is losing ground because of a decline in rental units, although single-detached construction is holding steady.

## 1993-94 Outlook

### Island Economy on Hold

Only modest growth is forecast for P.E.I.'s economy over the next year-and-a-half, mainly because of delays to the fixed-link project. An earlier estimate put the 1993 growth rate at over 4 per cent, but this assumed bridge construction would be underway in April of this year. With construction postponed to at least the last quarter of the year, the growth prediction is reduced to 2.5 per cent for 1993 and 3.3 per cent for 1994.

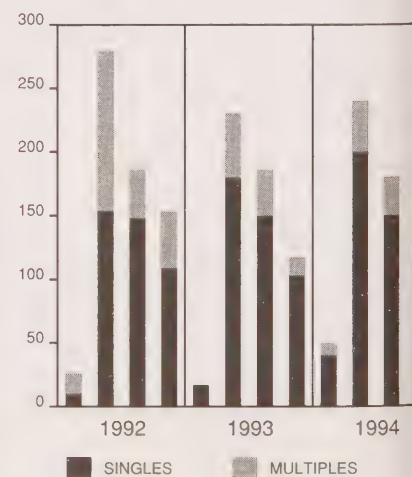
Consumer and business confidence are also tied to the Goods and Services processing centre being set up in Summerside, and this project is on schedule. The centre is due to start operating in October, adding \$13 million annually in salaries to the Summerside area. This has stimulated all aspects of the housing industry and will contribute significantly to the

local economy well beyond the construction and start-up phase.

Other main contributors to the Island's economy are the potato and lobster industries. Potato acreage is down slightly across North America, with lower yields and higher prices expected. This will be a welcome improvement over last year when prices were low. Lobster prices have been strong throughout the spring and summer.

A real challenge to the economy is the ongoing provincial government restructuring. The government's determination to reduce spending has created job uncertainty for civil servants throughout the province, particularly in Charlottetown. Hospitals, school boards, and government departments have experienced employment losses, and further cutbacks

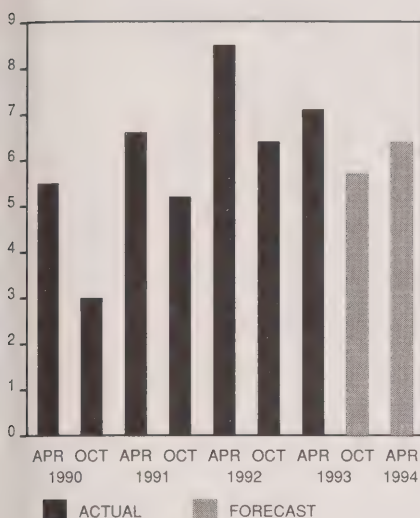
**Housing Starts**  
**Thousands of Units (Qtrly)**  
**PRINCE EDWARD ISLAND**



SOURCE: CMHC.  
1993-94 Forecast.



**Charlottetown Vacancy Rate  
(3 units or more, privately  
initiated)  
Per Cent**



SOURCE: CMHC.

could come if the provincial deficit rises higher than the current target level. Under these conditions, non-residential construction (other than the fixed link), will not increase over the next two years.

**Apartment Decline  
Pulls Down Total Starts**

Total housing starts are forecast to drop by 15 per cent to 550 units in 1993, followed by an increase to 600 units in 1994. The decline this year is due to reductions in apartment construction, including a cut in social

housing units. Vacancy rates in Charlottetown remain high, while previously leased units in Summerside are now being opened to the private market. These factors will keep the lid on new apartment construction.

Single-detached home construction, on the other hand, will increase to 450 units in 1993 and 500 units in 1994. Improvements in the economy of rural P.E.I. and the Summerside area will generate demand for housing. Employment and income growth from these areas, however, will be partially offset by provincial government streamlining.

**Resale Market to Edge  
Up**

MLS sales are forecast to increase by 5 per cent to 650 units this year and

reach 700 units in 1994. Additional income from jobs at the GST centre and the fixed-link project will be the driving force behind the increased sales. The resulting improvement in consumer confidence will lead to a higher number of listings as potential move-up buyers put their present homes on the market. At the same time, low mortgage rates, government incentives, and stable prices will continue to attract first time home buyers.

The economic and employment uncertainties which marked most of this year will keep average MLS prices at 1992 levels. Upward pressure will begin in 1994, but a large number of homes on the market will keep average price increases under 2 per cent.■

**Key Provincial Indicators  
Prince Edward Island**

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	2.1	2.5	3.3
Employment (% Change)	0.0	1.5	1.5
Unemployment Rate (%)	17.7	17.0	16.4
Housing Starts (Units)			
Total	644	550	600
Singles	421	450	500
Multiples	223	100	100
MLS Sales (Units)	604	650	700
Average MLS Price (Dollars)	75571	76000	77000

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.

# Nova Scotia

by André Moore and Anne Traboulsee

## Highlights

- Economic recovery slower than expected; restructuring limits employment growth.
- Existing home sales to continue at record rate.
- Single starts to decrease slightly.
- Rental market remains oversupplied, vacancy rate high.

## Total Starts Down at Mid-year

Economic recovery has been slow off the ground in Nova Scotia, as widespread restructuring holds job growth in check. This has had its impact on the housing industry.

The province's new home starts fell 4.4 per cent to 1,513 in the first half of 1993, compared to 1,582 for the same period in 1992. The decline was mostly due to a stalled rental construction market. High vacancy rates in most parts of the province discouraged construction. The trend was very apparent in Metro Halifax which had a vacancy rate of 7.1 per cent in April 1993, surpassing the 29-year high of 5.7 per cent in October 1992. Consequently, total multiple-unit starts in this city have dropped 76 per cent to 78 units from 326 units in 1992.

The good news was a 12.3 per cent increase in single- and semi-detached unit starts, softening the impact of the apartment market slowdown. Starts for single-detached

and semi-detached dwellings reached 1,395 units by mid-1993, compared to 1,242 units for the same period in 1992. This activity was thanks in part to the federal First Home Loan Insurance program, low interest rates and stable construction and land prices.

## 1993-94 Outlook

### Recovery Slower than Expected

Despite low interest rates and zero inflation, the Nova Scotia economy has been slow to emerge from the recession of the early 1990s. Economic growth will be limited to 1.5 per cent in 1993 and 1.9 per cent in 1994.

Belt-tightening, reorganizations and layoffs in the private sector continue to restrain consumer spending. Events this year included:

- sharp declines in ground fish quotas and several fish plant closures;
- talk of public sector cutbacks; and
- downsizing at firms such as Canadian National Railways, Maritime Telephone and Telegraph, Michelin Tires Ltd., Nova Scotia Power Corporation and IMP Aerospace (Division of IMP Group Ltd.).

All this structural change will likely keep the lid on government and business spending for the rest of the year. Export sales and, to a lesser extent, consumer retail spending, show some buoyancy. They grew by 2.3 per cent (January to March 1993) and 3.2 per cent (January to April 1993) respectively. These improvements will contribute to a very gradual economic recovery.



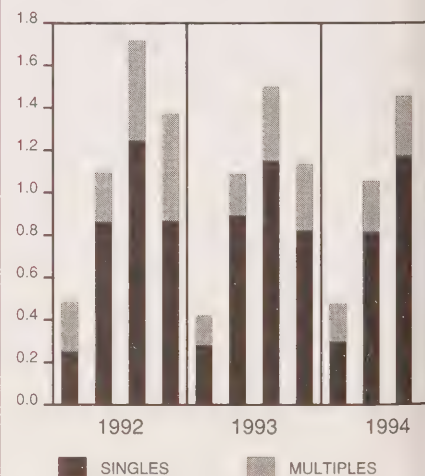
Total employment in the province will decline 1 per cent in 1993, owing to large job losses over the first five months of the year. As the economy gains ground in 1994, the job scene will improve somewhat, with employment expected to grow by 1.1 per cent.

The slow pace of economic recovery in Nova Scotia will prompt people to leave the province. The net out-migration (after newcomers are subtracted from the number of those who leave) will be 300 people in 1993 and 100 in 1994. This out-migration, coupled with only gradual improvements to the job market, will constrain the housing industry in 1993 and 1994.

## Mixed Housing Performance Forecast

The housing market will turn in a mixed performance in 1993 and

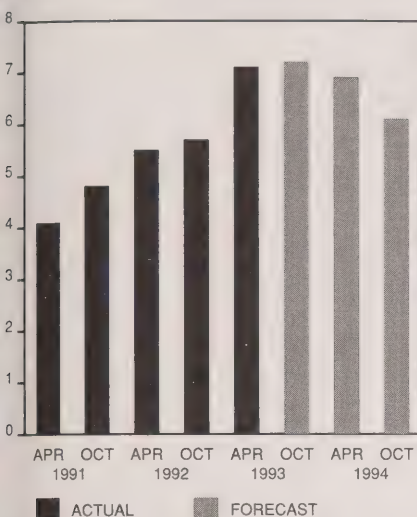
**Housing Starts**  
Thousands of Units (Qtrly)  
**NOVA SCOTIA**



SOURCE: CMHC.  
1993-94 Forecast.



**Halifax Vacancy Rate**  
(3 units or more, privately  
initiated)  
Per Cent



SOURCE: CMHC.

1994. Resales and semi-detached housing starts will post significant gains, but apartment construction will drop sharply, while single starts experience a modest decline. The overall forecast is 4,150 starts in 1993, followed by 4,200 starts in 1994.

The demand for single-detached homes was strong during the first half of 1993 because of low mortgage rates and first-time buyer incentives. In addition, the demand from first-time buyers stimulated the move-up market. All this activity will taper off, however, when much of the demand from first-time buyers is satisfied by year's end. This will particularly affect the market in new homes. Single-detached home starts are expected to decrease 2.5 per cent to

3,150 units in 1993, but to recover by 1.6 per cent to 3,200 units in 1994.

The market for existing homes is more robust. In the first half of 1993, existing home sales jumped 38 per cent over the same period in 1992. This burst of activity was as the result of consumer demand that was pent up for the past 18 months and finally released. Sales are expected to continue at the record high level set last year, reaching 7,000 units in 1993. The sales volume will taper off to 6,700 units in 1994, gradually returning to more historical levels as supply meets demand.

Steady demand from first-time home buyers and projected low inflation rates over the next two years will help maintain relatively stable house prices. Price growth is forecast at or below the rate of inflation for 1993 and 1994. The average sale price is forecast at \$91,100 for 1993 and at \$92,900 for 1994.

Construction of multiples will decline 31 per cent during 1993 and 1994 to 1,000 units. The drop will be due to a low level in rental starts caused by a number of factors — historically high vacancy rates, large inventories of units currently under construction, weakening rental demand, cautious lenders, and poor employment prospects resulting in net out-migration. The vacancy rate is particularly high in Metro Halifax because of weak rental demand and oversupply of newly built apartments. These pressures will push the Halifax vacancy rate to 7.2 per cent in October 1993 before it declines to 6.9 per cent in April 1994.

Another area of the multiples market — semi-detached units — is doing well however, as builders, with first-time buyers in mind, invest in this affordable type of housing. An increase in semi-detached starts will help offset the slowdown in apartment construction. ■

**Key Provincial Indicators  
Nova Scotia**

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	-0.9	1.5	1.9
Employment (% Change)	-2.7	-1.0	1.1
Unemployment Rate (%)	13.1	14.0	13.8
Housing Starts (Units)			
Total	4673	4150	4200
Singles	3232	3150	3200
Multiples	1441	1000	1000
MLS Sales (Units)	7107	7000	6700
Average MLS Price (Dollars)	89360	91100	92900

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.  
(F) Forecast by CMHC.



# New Brunswick

by Bruce Read and Al Coady



## Highlights:

- Housing market strong in first six months of 1993.
- Economic hopes rise with forecast increase in exports.
- Housing markets to expand in 1993 and '94.

## Strong Performance in Opening Months

Strong employment growth and added affordability boosted activity in the housing market during the first half of 1993. Much of the activity was in rural areas and small towns and villages.

Residential construction jumped ahead by more than one third compared to the same period in 1992. Single-detached construction rose by 43 per cent in rural areas of the province, which experienced the largest gains. Apartment and other multiple-unit production was up by an even greater amount in small towns and villages, which had a record-setting 231 starts. Only one major centre recorded an increase in construction during the first six months of 1993. This was Moncton, with a mid-year total of 290 starts.

Despite rising vacancy rates and limited rent increases, investors across the province continued to commit money to the rental market. Attracted by favourable financing and good prices, builders almost doubled last year's six-month construction total of 293 rental units. The growing supply of rental units, continued popularity of the homeownership op-

tion and unfavourable patterns of migration away from the province will combine to keep the vacancy rate above the 7 per cent level, reached in the spring of 1993.

Activity in the market for existing houses continued to expand as sales during the first half of 1993 increased by almost 6 per cent. Moncton led the way with a 15 per cent increase in the number of homes that changed hands. The Fredericton and Saint John markets held their own; mid-year sales volumes matched sales totals for June 1992. The small increase in prices during the first half of the year is explained by the absence of move-up buyers. A decline in the number of active listing coupled with an increase in sales is expected to push prices up further in the coming months.

## 1993-94 Outlook

### Rising Exports Set the Stage

The New Brunswick economy, once again, will outperform most of its provincial counterparts in the east. The resource-based export economy will grow about 2 per cent in 1993 and 3 per cent in 1994. Economic gains in New Brunswick will reflect the state of the economy south of the border over the forecast period, since the province ships almost two-thirds of its exports to markets in the United States.

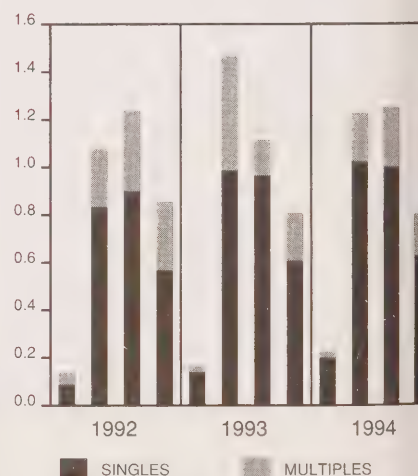
Exports, which lost some ground during 1992, will return to 1990 volume levels, or better, this year. Driven by increased activity in the mineral, fuels and wood products sec-

tors, first quarter exports improved by 25 per cent, compared to 1992. Deliveries of pulp and paper products, which were down marginally in the opening months, will firm up by 1994 as international inventories are depleted. With manufacturing shipments up by 17 per cent during the first five months of 1993 and improvements forecast for key export markets, the broadly based recovery is likely to continue.

A 5 per cent increase in retail trade, which underscores the growing confidence of New Brunswick consumers, was driven by a rebound in motor vehicle sales. The upward trend will continue as job prospects continue to improve and wages and salaries rise, allowing consumers to pay down debt and consolidate their financial position.

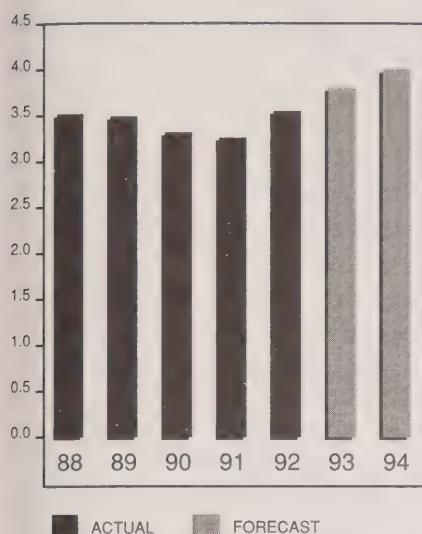
Employment, which rose by 3,000 in 1992, will increase by 5,000 in

**Housing Starts**  
Thousands of Units (Qtrly)  
**NEW BRUNSWICK**



SOURCE: CMHC.  
1993-94 Forecast.

## Residential MLS Sales Thousands of Units NEW BRUNSWICK



SOURCE: The Canadian Real Estate Association  
CMHC: Forecast.

each of 1993 and 1994. Job growth will be most pronounced in the industries that meet personal, business and community needs. As well, the construction, manufacturing and trade sectors will also be important sources of new jobs during the next 18 months. Ongoing restructuring in the government sector, however, will limit overall growth within the province. An increasing participation rate and an expanding labour force will keep the unemployment rate high. The 1992 unemployment rate of nearly 13 per cent will edge down to 12.5 per cent in 1993 and 12.4 per cent in 1994.

## Housing Markets Will Expand

A sense of cautious optimism among New Brunswick homebuyers has translated into increased activity in both the new and resale markets. Buyers who were sidelined by the recession will continue to be lured back into the marketplace by improving job prospects, rising incomes and the availability of attractive financing.

The resale market was slow to take off, but made up for lost time by

surpassing the six-month total for 1992 in the first five months of 1993. As the year progresses and consumers distance themselves from the recent recession, expansion will continue. First-time buyers, who were the primary source of demand early in the season, will increasingly be joined by move-up buyers. Encouraged by recent gains in the job market, upgrading homeowners will be drawn back by the market's stable prices.

Sales are forecast to reach historic highs in both 1993 and 1994, with increased activity expected in most areas of the province. Led by improvements in the Moncton market, where total sales are forecast to exceed 1000 units, sales for all areas will reach 3800 homes this year and 4000 homes in 1994.

Overall price growth has been restrained by increased sales of starter homes and soft demand for larger houses. No additional price increases are expected until 1994. At that time, declining inventories of homes for sale and increased demand for larger, move-up homes will push prices higher. The average price of a resale home will reach \$85,075 in 1993 and \$87,400 in 1994 (up another 2.8 per cent).

After an exceptional level of performance during the first six months of 1993, the pace of activity in the

new housing market will begin to ease. Aggressive building during the early months of the year satisfied pent-up demand for entry-level homes, and it is unlikely that move-up buyers will be numerous enough to sustain the high level of demand. Many individuals who might consider buying more expensive homes still have job security concerns and are reluctant to re-enter the housing market. Nevertheless, single-detached housing starts will reach 2,700 units in 1993. As more move-up buyers return to the market in 1994, single-detached starts will rise to 2,850 units.

Fewer multiple-unit construction projects are anticipated in the forecast period because of the growing vacancy rate in existing rental buildings. Many of the apartment buildings scheduled for development this year are already underway, leaving few projects to be started before the end of the year. Changing demographics and the lure of more affordable home ownership will continue to lower demand for rental accommodation in the remainder of 1993 and in 1994. Multiple-unit starts will total 850 in 1993, and then drop to 650 in 1994. ■

## Key Provincial Indicators New Brunswick

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	3.2	2.1	3.0
Employment (% Change)	1.0	1.4	1.7
Unemployment Rate (%)	12.8	12.5	12.4
Housing Starts (Units)			
Total	3310	3550	3500
Singles	2391	2700	2850
Multiples	919	850	650
MLS Sales (Units)	3550	3800	4000
Average MLS Price (Dollars)	82478	85100	87400

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.



# Quebec

by Jean-François Dion



## Highlights

- Mild upturn during second quarter.
- Employment growth on hold.
- Residential construction to decline in 1993, post modest gains in 1994.

## Signs of Upturn in Second Quarter

After five consecutive quarterly decreases, residential construction activity surged by 25 per cent in the second quarter with 37,600 starts at a seasonally adjusted annual rate. This upturn was not enough, however, to compensate for the shortfall which had accumulated since the beginning of the year.

In absolute terms, total housing starts over the first half of the year were 17,345 units, a decline of 14 per cent compared to the same period last year. The decline was due to consumer uncertainty, hindering demand, and to a surplus of nearly 6,800 new unoccupied units, limiting the need for new construction.

From January to June, the Quebec housing market was dominated by first-time buyers who took advantage of low interest rates, stable house prices and the federal homebuyer incentive programs. Their demand spurred construction of 3,055 new affordable semi-detached and row house units. This was an increase of 11 per cent over the first half of 1992. In addition, contractors built 3,047 condominium units, 22 per cent more than for the same period last year. The condominium row house phe-

nomenon remained very strong in the Montréal metropolitan area where virtually one unit out of every two was row housing. However, the luxury condominium market was very soft due to low demand and to a large stock of new, but unoccupied, units.

On the other end of the scale, the single-detached market, geared mostly to move-up buyers, registered only 8,360 starts from January to June 1993, 11 per cent less than during the same period last year. Despite attractive interest rates, the fragile recovery and the slow resale market are holding move-up buyers back. The average new house price has remained practically unchanged since 1992 at around \$103,000.

Meanwhile, the decline in rental construction, which began in 1988, continued in 1993. The slowdown is due to a high vacancy rate (6.3 per cent in April 1993) and investor and lender caution over rental projects. Moreover, with conditions conducive to homeownership, affordable owned accommodation is competing with rental.

The resale market, which showed increases in April and May, lost momentum in June. The first six months saw 19,326 MLS sales, almost the same number as that of the same period last year. The average MLS resale price also remained stable at \$102,708.

## 1993-94 Outlook

### Weak Job Recovery

The modest economic recovery expected this year and next will fail to produce an equivalent growth in jobs.

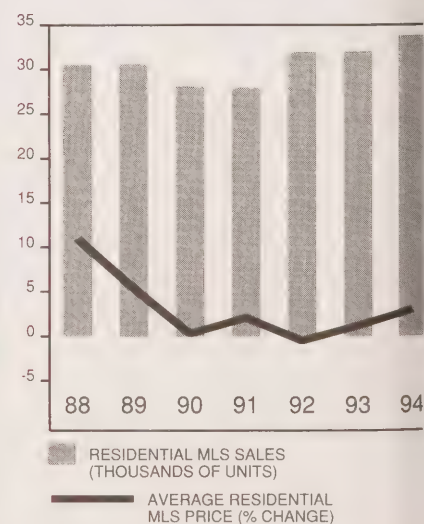
The main barriers to job creation are restructuring of private companies and the hiring freeze in the public sector.

In 1993, the economy will expand by 2.8 per cent, followed by an increase of 3.3 per cent in 1994. Employment growth will lag considerably behind. Only 20,000 jobs are expected to be created in 1993, a 0.7 per cent growth rate, and 50,000 in 1994.

The recovery, fuelled by increases in exports, is having little effect on consumer confidence, largely because of uncertainty over jobs. Moreover, provisions in the last provincial budget will siphon off an additional billion dollars from taxpayers, which will likely hold back short-term consumption.

The first real upturn in employment will be in the export-oriented manufacturing sectors (automobile,

## Average Residential MLS Price and Residential MLS Sales QUEBEC



SOURCES: The Canadian Real Estate Association. 1993-94 forecast by CMHC.



aluminum, pulp and paper). Once these sectors come to life, they will boost activity in the service sector.

Despite the upturn in the job market, the unemployment rate will remain high. After two lean years, many people who dropped out of the job market will try their chances once again and will keep the unemployment rate at 13.1 per cent in 1993 and 12.9 per cent in 1994.

## Residential Construction: Decline in 1993, Modest Upturn in 1994

Housing starts will drop to 36,000 units in 1993, a 5.8 per cent decline over 1992, and the lowest activity rate in a decade. Renewed growth is forecast for 1994 when 40,200 starts are expected, an increase of 11.7 per cent.

In 1993, despite low interest rates, cautious consumers and the high supply of vacant units will cause residential construction to decline. By 1994, the employment market will have finally gathered enough momentum to recharge consumer confidence. This, in combination with low interest rates, will stimulate residential construction activity.

The low level of construction in 1993 will manifest itself in a slow

market for singles, since move-up buyers will not be very active. Only 17,500 starts are expected, a decrease of 5.7 per cent compared to 1992. In 1994, with renewed consumer confidence and a livelier resale market, this sector will grow to produce 19,900 starts.

The multi-unit sector will see a similar decline in 1993, followed by an upturn in 1994. Construction activity for semi-detached and row houses will produce 6,200 starts in 1993, 18 per cent more than last year. This sector will have stable growth in 1994.

In the condominium market, the upward trend that began in 1993 will continue in 1994 but at a slower pace. First-time buyers seeking affordable units will dominate the market in 1993, but in 1994 more move-up buyers will be lured to the luxury class. This new demand for luxury units, however, will not be enough to significantly reduce the large existing stock of new and vacant units in this market segment. A total of 5,700 condominiums will likely be built in 1993 and 6,300 in 1994.

Due to the surplus of vacant units on the rental market and the easy access to homeownership, rental construction will continue to backslide in 1993. The forecast is for 4,900 rental starts, 37 per cent fewer this year. A gradual decrease in vacancy rates

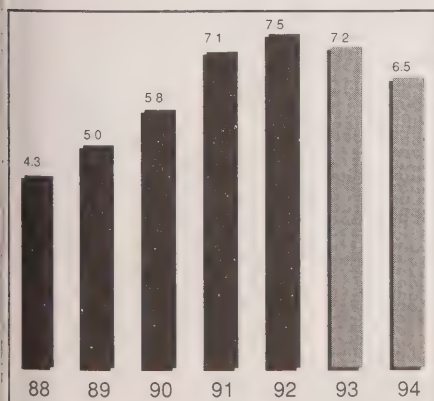
**Housing Starts**  
Thousands of Units (Qtrly)  
**QUEBEC**



will allow for the construction of 5,200 units in 1994. After having peaked at 7.5 per cent in 1992, the vacancy rate will shrink to 7.2 per cent in 1993 and to 6.5 per cent in 1994.

As for the resale market, it will post modest gains this year, with total sales of 32,000, then achieve solid growth in 1994 with another 33,800 MLS transactions. Price increases will be limited to 1.2 per cent in 1993, but will exceed the inflation rate in 1994 to reach 3 per cent. The better price performance in 1994 will reflect tighter market conditions as well as greater market share of higher-priced units. ■

**Quebec Vacancy Rate**  
(3 units or more, privately initiated)  
Per Cent



OCTOBER

■ ACTUAL ■ FORECAST

SOURCE: CMHC.

**Key Provincial Indicators**  
**Quebec**

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	0.6	2.6	3.3
Employment (% Change)	-1.1	0.7	1.7
Unemployment Rate (%)	12.8	13.1	12.9
Housing Starts (Units)			
Total	38228	36000	40200
Singles	18564	17500	19900
Multiples	19664	18500	20300
MLS Sales (Units)	31946	32000	33800
Average MLS Price (Dollars)	102311	103500	106600

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.

# Ontario

by Alex Medow



## Highlights:

- First-time buyers respond to government incentives.
- Private sector home starts to rebound.
- Job recovery and demographics will boost housing demand.

## Low Consumer Confidence Slows Housing Markets

Consumer caution, generated by a slow job market, led to lower than expected housing starts levels in the first half of 1993. Only 18,714 new units were built in this period, down 31 per cent from 27,210 in the first half of 1992.

The greatest multiple unit starts decline was in government-assisted rental, which plummeted from recent highs when non-profit and co-op construction scaled down.

Condominiums and other multiple freehold starts were held back by oversupply and lower consumer demand.

Privately initiated rental starts fared better than last year despite high vacancy rates. In relative terms, though, the number of private rental starts is small.

Single-detached starts, which increase in times of active move-up purchasing, declined somewhat compared with the same period last year.

The positive development in Ontario's housing market this year has been the eagerness of first-time buyers brought about by more affordable purchase prices. July saw a 15.6

per cent increase in the year-to-date number of first-time home purchase loans insured by CMHC. This number confirms first-time buyer strength.

Three factors have contributed to affordability: lower prices, lower mortgage rates and government incentives. In most of the province's major metropolitan areas, home prices peaked or at least moderated four years ago. Low mortgage rates have made mortgages accessible to a wider group of potential buyers. And obtaining a down payment became easier because of two federal programs and a provincial one. The federal programs reduced the down payment required and allowed the use of RRSP funds for home purchases, while the Ontario Home Ownership Savings Plan encouraged people to save money for a home and provided a tax break on the land transfer tax.

Affordable carrying costs are giving resale markets a boost despite the general weak consumer confidence. Seasonally adjusted sales through the Multiple Listing Service (MLS), though weaker on a year-to-date basis, grew rapidly from their bottom in March and halted resale price declines. June's MLS sales rate was higher or equal to the supply of new listings in nine of the province's ten major metropolitan areas.

Vacancy rates continued at historically high levels. High unemployment sent younger renters home or to double up. Other renters, lured by government programs, good prices and low borrowing costs, became homeowners. Ottawa, with relative job stability, had the lowest vacancy rate of Census Metropolitan Areas

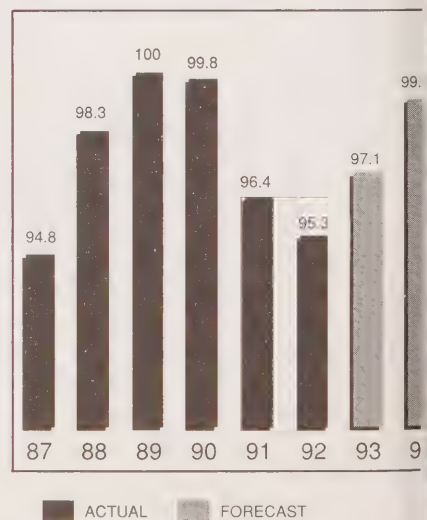
(CMAs) in Ontario. Its rate held at 1.8 per cent in April. Oshawa, affected by restructuring in the automotive sector, had the highest vacancy rate at 5.8 per cent.

## 1993-94 Outlook

### Favourable Demographics and Recovering Economy Will Feed Housing Demand

A slowly recovering economy in Ontario and an influx of people moving into the province will stimulate the housing market over the next two years. Economic growth will be much less dramatic than after the 1976 and 1981-82 downturns, but still significant. Net migration, which is already at the highest level in several decades, will rise moderately.

### Ontario Employment to Recover Per Cent of 1989 Peak



SOURCES: Statistics Canada.  
1993-94 forecast by CMHC.



During the first half of 1993, Ontario's economic recovery lost momentum. Employment grew rapidly at the end of 1992, but see-sawed up and down during the first half of 1993. The main causes of job uncertainty were the province's social contract talks, poor corporate profits and business moves to rationalize operations. A sign that business remains cautious is June's seasonally adjusted Help Wanted Index which fell to the lowest level in over a year. Analysts expect Ontario manufacturing jobs to rise with an increase in manufactured exports to the US, but the rebound hasn't happened yet. The current state of consumer confidence was reflected in the Conference Board of Canada's second quarter 1993 Ontario Index of Consumer Attitudes. It hit its lowest level since 1981.

For the rest of the year and for 1994, economic growth is forecast, albeit at a slow rate. More competitive Ontario products, due to Canada's lower dollar, will boost exports. Higher corporate profits along with lower interest rates will encourage business investment in machinery and equipment. On the other hand, consumer spending, one of the key ingredients in previous recoveries, will be more restrained this time around. Job growth will also be slow,

with an expected increase of 1.9 per cent this year and a further 2.2 per cent in 1994. High net migration levels will hamper the decline in unemployment levels.

Output recovery is also expected to be slow with real GDP growing 2.9 per cent this year and 3.8 per cent next year.

Net migration to Ontario will rise to record high levels in the immediate future. Ontario receives over half of Canada's immigrants and gained an estimated net 117,268 people from abroad last year. Newcomers to Canada and refugees are, attracted to the province's ethnic and social service networks. Anticipated refugee quota cuts will slow this immigration trend, but more migrants will arrive from the rest of Canada. As a result net migration will grow from 114,312 last year to 119,000 in 1993 and 122,500 next year.

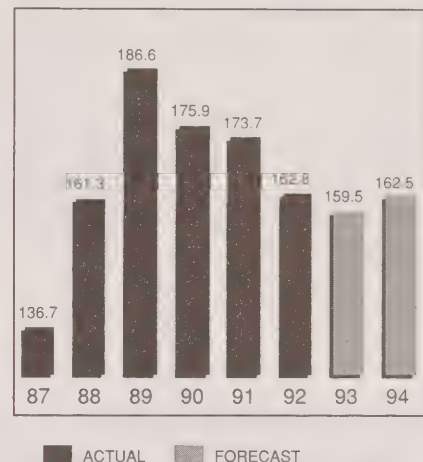
## Private Sector Starts to Lead Housing Recovery

Ontario's private sector housing market will stage a modest comeback during the rest of the year and pick up even more in 1994. This will offset declines in assisted housing starts and boost total 1994 starts to 55,500, a full 20 per cent increase over this year's total. Assisted-housing starts, by contrast, are not expected to grow as fast.

The turnaround in privately initiated construction will be attributable to anticipated job growth, low interest rates and federal home purchase incentives. Good borrowing rates will pump up demand, particularly from first-time buyers. Their willingness to spend will, in turn, stimulate the move-up market. In addition, high net migration to Ontario will boost the market as newcomers establish themselves and gain both the confidence and resources to purchase homes. Thanks to move-up purchasing, Ontario's 1994 average resale price will rise slightly. New-house

## Modest Ontario MLS Price Rebound Next Year

Thousands of Dollars Per Cent



SOURCES: The Canadian Real Estate Association. 1993-94 forecast by CMHC.

prices will also post modest to moderate gains.

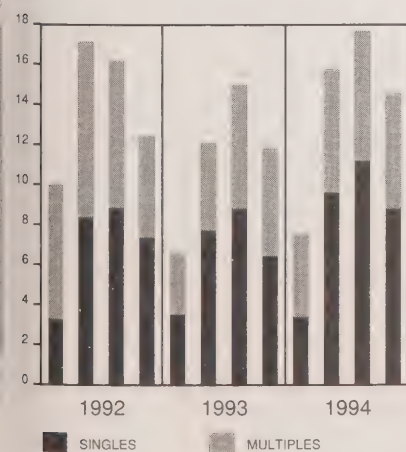
For most of this year, the employment picture in Ontario has been less than rosy, leaving its mark on the housing industry. Uneven job growth and high unemployment translated into consumer jitters leaving existing home sales and average MLS prices lower this year than last. This trend, combined with reduction in assisted housing construction, means that 1993's housing start total will likely be down by almost a fifth from last year's. The reduction will be mostly in multiple-unit projects, expected to drop by almost a third from 1992 levels to 19,000. Single-unit starts are forecast to slide only slightly to 26,500 units. However, 1994 promises growth. Multiples will rise to 22,500, while singles jump to 33,000. Existing home sales are anticipated to rise and the average MLS price is expected to rebound modestly.

Vacancy rates will remain high in most of Ontario's major cities through 1994. Rental demand will continue to be low. It will be affected by first-time buyer movement from rental to ownership, a trend towards sharing apartments and a decline in

## Housing Starts

Thousands of Units (Qtrly)

ONTARIO



SOURCE: CMHC. 1993-94 Forecast.



the youth population, which tends to rent. Rising net migration levels will partially counter these pressures, since many newcomers rent while becoming established and saving for a home. This year, Toronto's vacancy rate will stay lower than in many other Ontario metropolitan areas because of the large numbers of immigrants drawn to the city. Ottawa's relative job stability will keep its vacancy rate the lowest of Ontario's major metropolitan areas both this year and next. ■

### Key Provincial Indicators Ontario

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	0.6	2.9	3.8
Employment (% Change)	-1.2	1.9	2.2
Unemployment Rate (%)	10.8	10.7	10.5
Housing Starts (Units)			
Total	55772	45500	55500
Singles	27868	26500	33000
Multiples	27904	19000	22500
MLS Sales (Units)	131381	122000	134000
Average MLS Price (Dollars)	162826	159500	162500

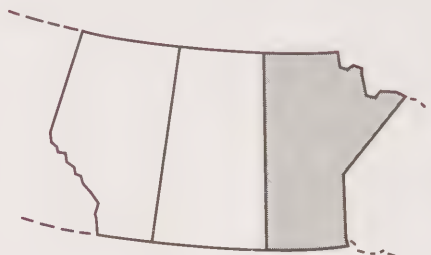
SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.

## PROVINCIAL HOUSING OUTLOOKS

# Manitoba

by Richard Goatcher and Terry Kozak



### Highlights:

- Low consumer confidence tempers housing activity in 1993
- Gradual economic growth in 1994 to boost industry slightly
- Modest price increases will accompany stronger housing activity
- Continued improvement for Winnipeg vacancy rates

### Housing Registers a Slow First Half

Despite modest second quarter gains, sales up to June 1993 for both existing and new homes were well below volume levels for the first half of 1992.

New housing activity was down by 10 per cent across the province.

Modest second quarter improvement in single-detached construction failed to overcome a major slowdown in construction of multiple units.

Residential resales improved slightly in the second quarter, but remained 7.6 per cent below 1992's strong first half. Resale house prices have edged up in 1993, but the rate of increase is less than the rate of inflation.

While vacancy rates for rental units decreased in Winnipeg and Brandon, weakened local economies produced higher vacancy rates in Thompson and Portage La Prairie.

### 1993-94 Outlook

### Economic Recovery Slower Than Anticipated

The low housing figures for the first half of 1993 stem from a weak job

market and the persistent, weak level of consumer confidence. Although the economy continued to expand from January to June, the recovery was weaker than expected. Growth in the labour force outpaced job creation during the second quarter. Unemployment figures reached their highest post recession level since July 1992. Consumer confidence remains weak due to poor labour market conditions, particularly in Winnipeg.

Economic growth in Manitoba typically lags behind the national average, and this pattern will continue in both 1993 and 1994. Real income growth will be diminished in 1994 due to a provincially legislated work-week reduction plan which reduced the disposable income of nearly 100,000 public-sector employees — one-fifth of the province's work force — by 4 per cent in 1993.

Increased exports to the United States will help sustain the recovery in the province's manufacturing sector in both 1993 and 1994. Flooding and wet harvest conditions in the Red River Valley will temper anticipated gains in the agricultural sector this year, but agricultural output should improve in 1994. Declining non-residential construction figures will receive a boost from two projects, the new federally funded Disease Control Laboratory in Winnipeg and upgrades to the copper smelter in Flin Flon.

The economic outlook for 1994 is a mixture of good and bad news. Increased investment in the pharmaceutical and telecommunications industries will make a strong contribution to recovery. Deregulation of the long-distance telephone industry, for instance, will lead to the creation of hundreds of new jobs in Winnipeg, which enjoys a strategic central location.

On the other hand, restructuring in key sectors — including transportation, finance services and utilities — will hamper the overall recovery. Weak metal prices continue to threaten employment in Northern Manitoba mining towns and the situation is not expected to improve until the middle of 1994. Winnipeg could be adversely affected by the current financial problems of Canada's two

major air carriers, since a large number of airline employees are based in this central location.

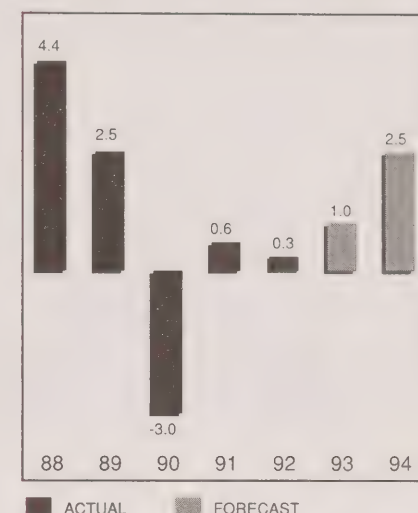
## Consumer Uncertainty Hinders Recovery in Housing

Slow economic recovery and continuing consumer uncertainty will restrain housing demand and keep housing construction figures low during the second half of 1993. The positive influence of falling interest rates and two federal incentive programs will be tempered by consumer reluctance to assume mortgage debt at a time when job prospects are poor and disposable income isn't growing. The slow recovery will keep a lid on house price increases and limit equity growth for homeowners. This, in turn, will reduce demand for new homes in the move-up market. Meanwhile, buyers will continue to favour moderately priced homes, most of which are found in the resale market.

New housing starts for 1993 will be a marginal 100 units ahead of the record low in 1991. Single-detached starts will remain unchanged from 1992 levels. Multiple-unit construction will decline as a result of high vacancy rates and cutbacks in social housing construction.

In 1994, housing starts will rise to 2,500 units on the strength of an improved job market, renewed con-

## Average Residential MLS Price % Change MANITOBA

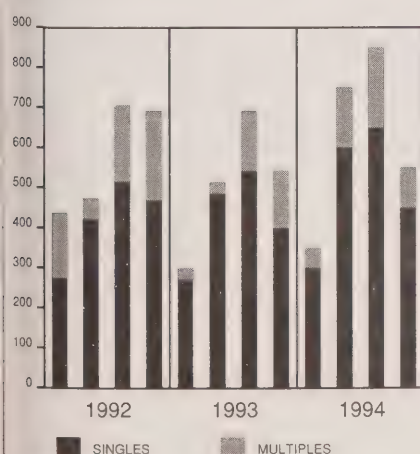


SOURCES: The Canadian Real Estate Association. CMHC: Forecast.

sumer confidence and reduced migration out of the province.

Keeping pace with the drop in consumer confidence, Manitoba's resale market in 1993 has lost the momentum it achieved in 1992. The total number of existing houses sold in the province's four cities will fall by 5.6 per cent in 1993. Modest price increases will result from the changing mix of units sold rather than improved market balance associated with stronger demand. The average resale price will rise by one per cent in 1993, to \$81,500.

## Housing Starts Thousands of Units (Qtrly) MANITOBA



SOURCE: CMHC. 1993-94 Forecast.

## Key Provincial Indicators Manitoba

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	2.4	1.7	2.5
Employment (% Change)	-1.8	-0.2	0.4
Unemployment Rate (%)	9.6	9.7	10.0
Housing Starts (Units)			
Total	2310	2050	2500
Singles	1683	1700	2000
Multiples	627	350	500
MLS Sales (Units)	11383	10750	11000
Average MLS Price (Dollars)	80686	81500	83500

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.



Continued low interest rates and a gradual improvement in consumer confidence will fuel a turnaround in sales of 2.3 per cent next year, with the average price climbing to \$83,500. Despite favorable interest rates, rising prices in 1994 will reverse the trend toward improving homeownership affordability witnessed in recent years.

Winnipeg's condominium resale market remains buoyant in 1993. Affordable prices have attracted many first-time buyers, with strong

demand for moderately priced units. While sales should continue to increase both this year and in 1994, the average price will remain relatively unchanged.

### **Winnipeg Rental Market Approaching Balanced Position**

High vacancy rates in Winnipeg rental units, brought about by high levels of multiple-unit construction in the late 1980s, are starting to fall. The

Winnipeg vacancy rate has declined gradually, from a high of 6.6 in 1991 to 5.7 per cent in April 1993. The decline has been moderated over the past year by the increased number of renters who opted for homeownership. Reduced multiple-unit construction and improved demand for rental units will push vacancy rates to the 5 per cent level this Fall. The vacancy rate in the provincial capital should be 4.7 per cent by the spring of 1994. ■

## **PROVINCIAL HOUSING OUTLOOKS**

# **Saskatchewan**

*by Bruce McDonald and Paul Caton*

### **Highlights**

- Starts up 37 per cent in first half.
- Agriculture output increases in 1993.
- More demand for multiples by seniors.

### **Housing Starts Higher in First Half**

New-house construction was up more than 37 per cent in the second quarter of 1993 compared to the same time in 1992. Second quarter building activity was the highest seen since 1988.

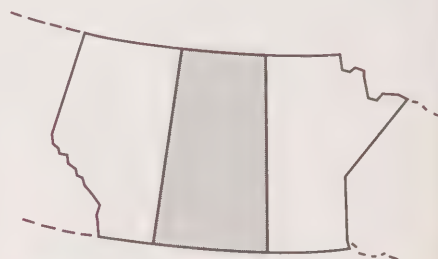
Most of the increase was due to new rental apartment and condominium projects in the city of Saskatoon. These included a high-rise offering 81 rental suites to low-income seniors and various life lease and condominium projects.

Single-detached homes in move-up neighborhoods continued to be popular in the province's two largest cities, although this market was a bit

slower than during the same period last year. The demand for singles is strongest in Regina due to major company relocations, which will be completed in the autumn.

Existing real estate is not moving as fast as it did during the first half of 1992, but the average price trend is up almost 5 per cent. The number of new listings has not made up for the houses which were sold in 1992 when the federal First Home Loan Insurance program was introduced.

The rental market vacancy rate in Saskatchewan cities fell to 6.4 per cent in April 1993, from 7.1 per cent in April 1992, although it is higher now than in October 1992. The year-over-year improvement is attributed to fewer people leaving the province and more people coming to cities in the second half of 1992. Most urban centres in the province had about the same vacancy rate or experienced a decline in the rate compared to April 1992.



### **1993-94 Outlook**

#### **Agriculture Main Spur to Growth**

Average to above average crop yields and increased prices for most grains will make agriculture a key factor in the province's modest economic growth of 2 per cent in 1993. Manufacturing output will also increase this year because of operation of the newly constructed Saskferco Fertilizer Plant and the Lloydminster Heavy-Oil Upgrader.

The forecast economic growth for 1994 is 3 per cent. This will be due to steady growth in most sectors of the provincial economy, as well as an increase in mining output, particularly potash, because of recovery in export markets. Transportation, which suffered in 1993 because of 1992's poor crop, will benefit in 1994 as demand increases for Saskatchewan's agricultural products.

A restraint to economic growth in 1993 and 1994, however, will be the impact of provincial government



cutbacks. There will also be a large non-residential construction employment loss due to the completion of large-scale projects over the past year. Nevertheless total provincial employment will increase by 1,000 jobs in 1993 and a further 1,000 in 1994.

Leading employment growth will be a recovery in jobs in the agriculture, manufacturing, transportation and mining sectors. The unemployment rate will be about 8.5 per cent in 1993 and fall to 8.3 per cent in 1994, well below the projected national average. Consumer spending, relatively sluggish in 1993 because of unease over the economy, will begin to improve in 1994 as consumers gain more confidence.

Some of the dip in unemployment rates will be due to many residents leaving Saskatchewan, lured by improving prospects in other provinces. Large-scale out-migration is a drain on Saskatchewan's economy, but it is offset by the movement of people from rural to urban areas of the province. This ongoing population redistribution will keep housing markets buoyant in many urban centres.

## Housing Starts Surge in 1993, Level Off in 1994

In 1993, Saskatchewan will experience the highest number of new hous-

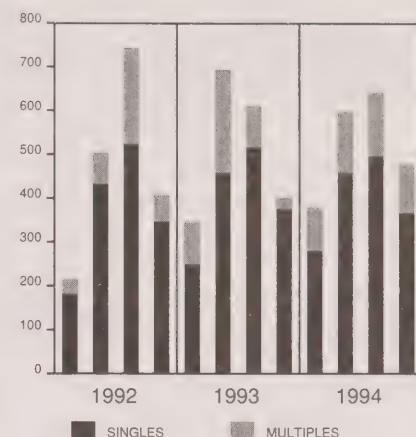
ing starts since 1988. Most of this demand will be due to low interest rates and continued optimism in the city of Regina. New housing forms, such as condominiums for the older, empty-nester households, are also giving the market a boost.

Little change in the level of new housing activity is forecast for 1994. The number of single-detached units constructed in urban centres will be comparable to 1993 levels. Multiple construction may slow somewhat in Saskatoon, but there will be an increase in Regina and smaller cities as the popularity of condominiums spreads amongst the seniors' population. Most of the 450 new multiples to be built in 1994 will be condominiums, as current rental rates will not support new rental construction.

Prices of newly constructed homes will be higher in 1993 and 1994 in Regina and Saskatoon. This will be due to rising material costs in both centres and higher land prices in Saskatoon.

First-time buyers will dominate the province's resale market in 1993 because of the availability of 95 per cent financing and very low interest rates. Sales of higher priced homes will be lower this year due to concern about the economy among potential move-up buyers. In 1994, consumer confidence will likely rise and more move-up buyers will return to the

## Housing Starts Thousands of Units (Qtrly) SASKATCHEWAN

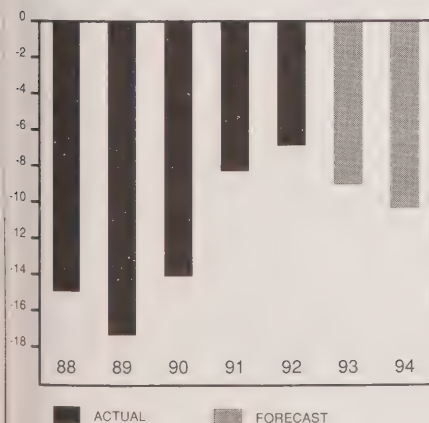


SOURCE: CMHC.  
1993-94 Forecast.

market. Although the sales volume of the resale market will remain stable in 1994, a scarcity of listings will persist. The result will be a steady increase in the average sale price in most Saskatchewan cities.

People migrating to cities from rural areas will continue to purchase homes, but many more will rent apartments. This trend will keep the vacancy rate relatively low in urban centres during 1993 and 1994, despite an expected rise in out-migration to other provinces.■

## Total Net Migration Thousands of Persons SASKATCHEWAN



SOURCES: Statistics Canada.  
CMHC: Forecast.

## Key Provincial Indicators Saskatchewan

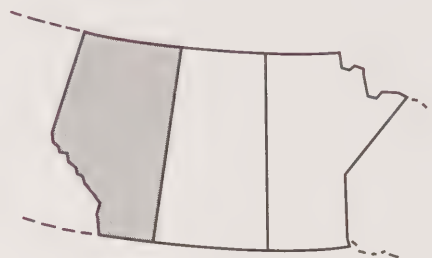
	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	-2.6	2.0	3.0
Employment (% Change)	-1.8	0.2	0.2
Unemployment Rate (%)	8.2	8.5	8.3
Housing Starts (Units)			
Total	1869	2050	2100
Singles	1484	1600	1600
Multiples	385	450	500
MLS Sales (Units)	7829	7150	7200
Average MLS Price (Dollars)	68406	69900	71500

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.

(F) Forecast by CMHC.

# Alberta

by Laurie Scott and David Peever



## Highlights

- Higher condominium starts partly offset decline in singles.
- Alberta economy produces "jobless recovery".
- Weak rental market to continue.

## New Construction in First Half on Par With 1992

Alberta housing markets turned in a mixed performance during the first half of 1993. A strong second quarter boosted year-to-date residential construction by 3 per cent over the first six months of 1992, to nearly 8,400 units. Starts were sustained by vigorous multi-unit construction, which was 61 per cent higher than the first half of 1992. Single-unit starts fell nearly 10 per cent, as buyers turned to affordable condominiums.

Residential resales declined more than 6 per cent during the first six months. The comparison with 1992 is somewhat overstated, however, because the 1992 resale market was buoyed up by two new federal incentive programs (the five per cent down-payment program for first-time buyers and the RRSP-funds-for-homeownership program). Resales during the first half of 1993 remained firm at nearly 19,000 units.

According to CMHC's April 1993 Rental Market Survey, vacancy rates for rental units rose in half of the centres surveyed, including both

Edmonton and Calgary. The rental market has been undermined by weak economic growth, ebbing migration and the pronounced trend towards homeownership.

## 1993-94 Outlook

### Economy Gives off Mixed Signals

Optimism returned to the energy sector during the first half of 1993. Firm natural gas prices, rising demand in export markets, provincial government exploration incentives and a weaker Canadian dollar spurred an upsurge in exploration activity. The manufacturing sector benefited from the solid performance of the energy sector and expansion in the forestry sector. Job prospects improved in rural areas. At head offices and at refineries, however, years of restructuring left companies wary of hiring new permanent staff.

The stimulus to economic growth in 1993 and 1994 from these positive developments will be partly offset by the efforts of the provincial government to reduce its budget deficit. Recent oil price declines, which mean a drop in provincial government royalty revenues, have fueled fears of additional public-sector layoffs.

Employment increases over the forecast period will remain modest because improved productivity in recent years means economic growth will not necessarily lead to job creation. In turn, slow employment growth will discourage migration to

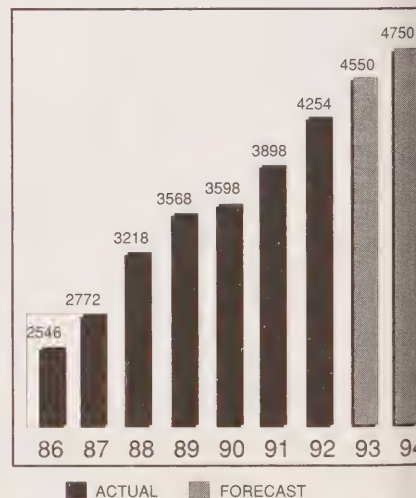
the province, resulting in only marginal labour force expansion. The Alberta unemployment rate will remain in the area of 9.5 per cent throughout 1994.

## Residential Construction to be Slower

Housing starts in 1993 will decline nearly 10 per cent from the inflated levels of 1992. The drop stems from the decline in job opportunities, which caused fewer people to migrate to the province. In addition, many consumers made the move to buy in 1992.

Multi-family starts, however, will rise again this year, providing the single bright exception to the housing

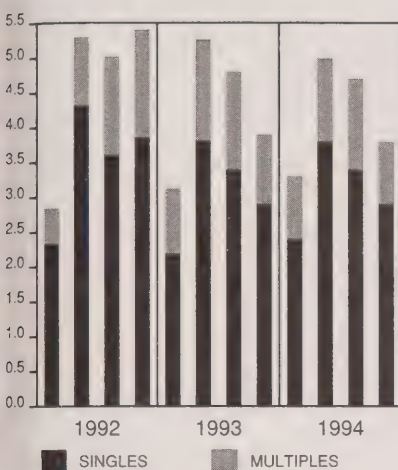
## Natural Gas Sales Annual Volume Billions of Cubic Feet ALBERTA



SOURCES: PowerWest, CPA, Nickle Daily Oil Bulletin.  
1993-94 forecast by PowerWest.



## Housing Starts Thousands of Units (Qtrly) ALBERTA



SOURCE: CMHC.  
1993-94 Forecast.

construction picture. Highly affordable condominiums are a favourite with cautious consumers, including the dwindling numbers of first-time buyers.

Total housing starts are expected to be down again in 1994, this time by a marginal amount. With the absence of any large, non-residential investment project, the expiry in 1993 of the provincial government energy sector incentives, and the continued focus on deficit reduction, employment growth will remain modest. Alberta, a magnet for migrants during the late 1980s and early 1990s, will lack the economic growth needed to attract newcomers. They will be drawn instead by the improved outlook of Ontario and other provinces. Without newcomers to sustain their numbers, the first-time buyer age group will continue to decline and demand will fall for some types of housing. Excess supply in some sub-markets will undermine the multi-unit construction market.

## Resale Markets Sustained by Affordability

The market for resale houses will perform somewhat better than the market for new houses, with sales retreating only 5 per cent in 1993. Excellent affordability has helped the resale market. An excess supply of active listings, particularly in Calgary and Edmonton, has moderated price increases. Low prices and lower-than-expected mortgage rates continued to attract first-time buyers from the rental market during the first six months of 1993.

The starter-home market, which has been strong since early 1992, is in turn boosting the move-up markets. The average resale price in Alberta will rise by more than 3 per cent in 1993 as demand switches to more expensive houses during the second half of the year.

Factors similar to those influencing the market for new homes will lead to another decline, a modest one, in 1994 resales. The resale market is even more dependant on infusions of new arrivals who become first-time

buyers, since about 80 per cent of starter-home purchases are existing houses. Reduced demand from first-time buyers means lower growth in the price of starter homes; this in turn weakens demand from move-up buyers for houses in higher-priced segments of the resale market.

## Little Improvement Expected in Rental Markets

Changing demographics, in particular declining numbers of people in the 19-24 age group, suggest that landlords must depend on older age groups and low levels of construction to bring back lower vacancy rates. Indicators suggest that the vacancy rate has peaked in Calgary and will peak in early 1994 in Edmonton. Declines will be modest throughout 1994 because a weak job market will reduce job-seeking migration to a trickle. Construction of new rental accommodation is expected to remain low, with some new projects aimed at high income renters. ■

### Key Provincial Indicators

Alberta	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	1.3	2.5	2.8
Employment (% Change)	-0.5	0.3	0.6
Unemployment Rate (%)	9.5	9.5	9.4
Housing Starts (Units)			
Total	18573	17100	16800
Singles	14125	12300	12500
Multiples	4448	4800	4300
MLS Sales (Units)	38545	36500	36000
Average MLS Price (Dollars)	113558	117250	120000

SOURCES: CMHC, The Canadian Real Estate Association; Statistics Canada and The Conference Board of Canada.  
(F) Forecast by CMHC.



# British Columbia

by Helmut Pastrick



## Highlights

- Resale housing market revives in second quarter of 1993.
- Economy to pick up as province's exports grow and more residents arrive.
- Overall housing activity will remain high in 1994

## Housing Market Very Active

Residential investment continued to be one of the key engines of growth for British Columbia's economy in 1993. As interest rates started to decline in early 1993, MLS volume rose. Housing starts have stayed up and housing prices have continued to reach new heights.

Meanwhile, the high price of land has caused more home builders and buyers to opt for multiple-unit forms of housing, which are more affordable than single-detached units. A substantial portion of the province's housing starts in 1993 have been multiple-unit properties, and the demand for condominiums continues to climb. Another spin-off has been reduced floor space for multiple units. Nevertheless, a number of constraints have hampered the housing construction industry, in particular the single-detached segment of the business. Price remained a primary concern, although the cost of housing improved slightly.

Resale activity picked up in the second quarter when mortgage rates dipped. However, volume levelled off in June and then declined in July. MLS volume was down about 10 per cent compared to the same date in 1992, in large part because of the drop in demand for single-detached houses.

Despite the sales drop, resale housing prices kept climbing to record levels. Double-digit increases have been the norm, making it a seller's market. In the second quarter, falling interest rates more than offset the increase in house prices, making houses more affordable overall. Higher prices also brought more listings onto the market in the second quarter, which should help to contain price increases in the future.

A drop of more than 10 per cent in single-detached starts caused overall housing starts to taper off in the second quarter of 1993. Multiple-unit starts held their ground, though, as condominium construction jumped by one-third, offsetting lower rental and public activity.

Several factors are restricting the housing construction industry at present. Both metropolitan Vancouver and Victoria have a shortage of developed lots for single-detached units. Difficulties in obtaining water and sewage services concern builders in the Kelowna area. In general, builders need a substantial amount of equity and good pre-construction sales to get financing for construction projects. As financing has become harder to get from banks, the custom-

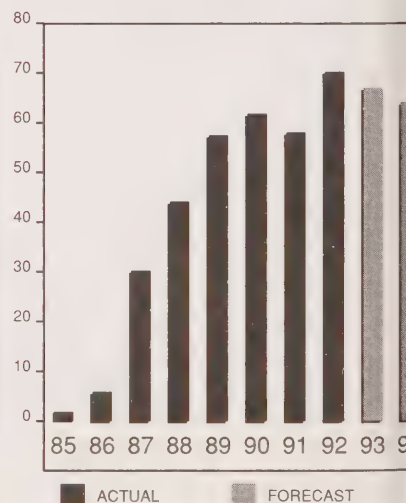
ary source of funds, some developers have turned to locally based credit unions and pension funds. These non-traditional sources now have a growing share of the capital market.

## 1993-94 Outlook

### Economy Gains Momentum

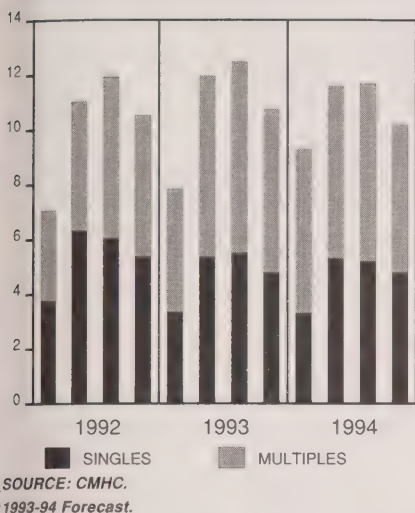
Increasing growth is the outlook for the province's economy in the remainder of 1993 and in 1994. The export sector should get a boost from strengthened U.S. and Japanese economies and the weakness of the Canadian dollar. The lumber industry and the tourism field will benefit most. The pulp, paper, and newsprint sectors will recover more slowly because of stiff external competition

### Total Net Migration Thousands of Persons BRITISH COLUMBIA



SOURCE: Statistics Canada.  
CMHC Forecast.

## Housing Starts Thousands of Units (Qtrly) BRITISH COLUMBIA



## Housing Activity to Stay High

Housing starts and resale activity are expected to remain buoyant in both 1993 and 1994. Attractive mortgage rates, a high volume of migration to the province and an improving economy will sustain activity. In this thriving environment, the main constraints are affordability and a limited supply of new houses. Although the housing cycle is in the mature phase of an upswing, the high level of activity will continue to be fairly constant throughout 1994.

Housing construction in 1993 is forecast to break the 1981 record, with about 43,000 starts in each of 1993 and 1994. Construction will increase this year to provide for demand not satisfied in 1992. The multiple-unit sector will continue to take a larger share of the new housing market because its prices are more affordable and the supply of lots for single-detached houses is limited.

A record number of condominium starts are expected in response to consumer demand for more affordable housing. Much of this activity is in Vancouver. An impressive amount of sales prior to construction in some projects and the caution of lenders will likely limit speculative construction in 1994. However, the demand

for condominium units at ground level exceeds the supply.

Moderate price increases are expected in 1994, compared to the price jump of more than 10 per cent in 1993. The 1994 price increase will likely be a shade higher than the inflation rate. Price increases will moderate in part because more new homes will be completed and ready to sell. Nevertheless, production limitations spell greater price increases for new houses than for resale houses, and some demand will shift to the resale market.

This market, blessed by favourable mortgage rates and improving consumer confidence, is heading for another high volume sales year. Once again affordable housing should be the strongest segment in 1994.

The rental market will continue to have an adequate supply of available units. There will be a moderate amount of rental unit construction, and a small portion of the existing rental stock will be converted to condominium use. Higher levels of employment in 1994 should boost the demand for rental units. Offsetting this trend, however, is the loss of some renters to the ownership market, which will continue to free up units. Moderate rent increases are expected during 1994. ■

and rising demand in Canada for recycled paper.

Competition will keep the mining sector in the doldrums. Minimal growth is forecast in investment spending. In particular, excess production capacity in the resources sector should dampen investment in non-residential projects. Spending on machinery and equipment will rise slightly, fuelled by environmental requirements and the need for new technology. As the provincial government curtails further capital spending, residential investment will likely continue to be the bright spot in the economy.

Substantial population growth is also fuelling the economy. Population increases are projected to remain well above 2 per cent annually for the next two years, due primarily to the high rates of migration to the province. Following a record number of newcomers in 1992, migration should ease off in 1993 and 1994. Economic recovery in central Canada will translate into fewer domestic migrants for British Columbia. International migration, however, will remain up. Net migration to B.C. should stay high, but decline from the record level of 1992.

### Key Provincial Indicators British Columbia

	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
Real GDP (% Change)	3.4	3.8	4.0
Employment (% Change)	1.9	2.3	2.6
Unemployment Rate (%)	10.4	9.8	9.0
Housing Starts (Units)			
Total	40621	43100	42800
Singles	21472	19000	18600
Multiples	19149	24100	24200
MLS Sales (Units)	93564	88500	90900
Average MLS Price (Dollars)	189999	215000	224000

SOURCES: CMHC, The Canadian Real Estate Association, Statistics Canada and The Conference Board of Canada.  
(F) Forecast by CMHC.

## Housing Starts

**Total**  
(units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	3168	3536	3245	2836	2271	2200	2200
%	18.1	11.6	-8.2	-12.6	-19.9	-3.1	0.0
PEI	1151	815	762	553	644	550	600
%	23.4	-29.2	-6.5	-27.4	16.5	-14.6	9.1
NS	5478	5359	5560	5173	4673	4150	4200
%	-15.2	-2.2	3.8	-7.0	-9.7	-11.2	1.2
NB	3621	3681	2683	2872	3310	3550	3500
%	-2.6	1.7	-27.1	7.0	15.3	7.3	-1.4
QUE	58062	49058	48070	44654	38228	36000	40200
%	-21.7	-15.5	-2.0	-7.1	-14.4	-5.8	11.7
ONT	99924	93337	62649	52794	55772	45500	55500
%	-5.0	-6.6	-32.9	-15.7	5.6	-18.4	22.0
MAN	5455	4084	3297	1950	2310	2050	2500
%	-33.3	-25.1	-19.3	-40.9	18.5	-11.3	22.0
SASK	3856	1906	1417	998	1869	2050	2100
%	-21.2	-50.6	-25.7	-29.6	87.3	9.7	2.4
ALTA	11360	14712	17227	12492	18573	17100	16800
%	5.3	29.5	17.1	-27.5	48.7	-7.9	-1.8
BC	30487	38894	36720	31875	40621	43100	42800
%	5.3	27.6	-5.6	-13.2	27.4	6.1	-0.7
CAN	222562	215382	181630	156197	168271	*156300	*170400
%	-9.5	-3.2	-15.7	-14.0	7.7	-7.1	9.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Starts

### Singles (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2839	2932	2468	2135	1611	1500	1600
%	12.2	3.3	-15.8	-13.5	-24.5	-6.9	6.7
PEI	704	456	483	376	421	450	500
%	0.7	-35.2	5.9	-22.2	12.0	6.9	11.1
NS	3867	3361	3639	2604	3232	3150	3200
%	-6.1	-13.1	8.3	-28.4	24.1	-2.5	1.6
NB	2953	2909	2137	2154	2391	2700	2850
%	-0.1	-1.5	-26.5	0.8	11.0	12.9	5.6
QUE	27724	24493	24942	22531	18564	17500	19900
%	-11.8	-11.7	1.8	-9.7	-17.6	-5.7	13.7
ONT	57099	53511	32425	26290	27868	26500	33000
%	-12.1	-6.3	-39.4	-18.9	6.0	-4.9	24.5
MAN	3601	2966	2847	1589	1683	1700	2000
%	-22.2	-17.6	-4.0	-44.2	5.9	1.0	17.6
SASK	2246	1383	1087	775	1484	1600	1600
%	-25.0	-38.4	-21.4	-28.7	91.5	7.8	0.0
ALTA	9671	12345	13809	9778	14125	12300	12500
%	1.9	27.6	11.9	-29.2	44.5	-12.9	1.6
BC	17761	21612	18478	18335	21472	19000	18600
%	8.6	21.7	-14.5	-0.8	17.1	-11.5	-2.1
CAN	128465	125968	102315	86567	92851	*86400	*95800
%	-8.3	-1.9	-18.8	-15.4	7.3	-6.9	10.9

### Multiples (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	329	604	777	701	660	700	600
%	116.4	83.6	28.6	-9.8	-5.8	6.1	-14.3
PEI	447	359	279	177	223	100	100
%	91.0	-19.7	-22.3	-36.6	26.0	-55.2	0.0
NS	1611	1998	1921	2569	1441	1000	1000
%	-31.2	24.0	-3.9	33.7	-43.9	-30.6	0.0
NB	668	772	546	718	919	850	650
%	-12.0	15.6	-29.3	31.5	28.0	-7.5	-23.5
QUE	30338	24565	23128	22123	19664	18500	20300
%	-29.0	-19.0	-5.8	-4.3	-11.1	-5.9	9.7
ONT	42825	39826	30224	26504	27904	19000	22500
%	6.3	-7.0	-24.1	-12.3	5.3	-31.9	18.4
MAN	1854	1118	450	361	627	350	500
%	-47.7	-39.7	-59.7	-19.8	73.7	-44.2	42.9
SASK	1610	523	330	223	385	450	500
%	-15.3	-67.5	-36.9	-32.4	72.6	16.9	11.1
ALTA	1689	2367	3418	2714	4448	4800	4300
%	30.4	40.1	44.4	-20.6	63.9	7.9	-10.4
BC	12726	17282	18242	13540	19149	24100	24200
%	1.1	35.8	5.6	-25.8	41.4	25.9	0.4
CAN	94097	89414	79315	69630	75420	*69900	*74700
%	-11.1	-5.0	-11.3	-12.2	8.3	-7.3	6.9

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Multiples, by Area and Tenure (units)

		Centres 10,000 Population and Over							
		Rental/Co-op Private	Assisted	Total Rental	Condo				
						Other*	Total 10,000+	Other Areas	All Areas Total
NFLD	1992	49	67	116	0	448	564	96	660
	1993	32	70	102	14	480	596	104	700
	1994	78	20	98	22	420	540	60	600
PEI	1992	116	53	169	0	0	169	54	223
	1993	70	20	90	0	0	90	10	100
	1994	80	10	90	0	0	90	10	100
NS	1992	728	60	788	0	527	1315	126	1441
	1993	340	85	425	20	425	870	130	1000
	1994	350	85	435	15	420	870	130	1000
NB	1992	586	49	635	51	67	753	166	919
	1993	430	40	470	40	39	549	301	850
	1994	375	20	395	40	40	475	175	650
QUE	1992	6859	894	7753	4931	5263	17947	1717	19664
	1993	4400	500	4900	5700	6200	16800	1700	18500
	1994	4700	500	5200	6300	6200	17700	2600	20300
ONT	1992	2273	15667	17940	2772	5410	26122	1782	27904
	1993	2350	6950	9300	3750	4520	17570	1430	19000
	1994	2400	7260	9660	5830	5280	20770	1730	22500
MAN	1992	76	220	296	132	42	470	157	627
	1993	75	125	200	75	25	300	50	350
	1994	200	50	250	100	50	400	100	500
SASK	1992	24	81	105	159	34	298	87	385
	1993	25	104	129	166	75	370	80	450
	1994	50	50	100	175	50	325	175	500
ALTA	1992	650	188	838	1778	1130	3746	702	4448
	1993	400	100	500	2800	700	4000	800	4800
	1994	400	100	500	2315	600	3415	885	4300
BC	1992	2626	853	3479	13218	1273	17970	1179	19149
	1993	2600	600	3200	16900	2300	22400	1700	24100
	1994	2800	300	3100	16200	2800	22100	2100	24200
CAN	1992	13987	18132	32119	23041	14194	69354	6066	75420
	1993	10722	8594	19316	29465	14764	63545	6305	**69900
	1994	11433	8395	19828	30997	15860	66685	7965	**74700

SOURCE: CMHC.

1992 Actual, 1993-94 Forecast.

\* Includes homeowner and unclassified units.

\*\* Total does not add due to rounding.

## Housing Starts

### Total New House Price Index\* (annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
ST. JOHN'S	2.3	5.4	3.6	7.2	0.8	0.0	1.0
HALIFAX	3.8	1.8	0.3	-0.2	1.1	2.0	2.5
SAINT JOHN	2.8	3.5	1.4	0.9	0.9	1.0	1.0
QUÉBEC CITY	8.8	6.9	3.3	2.8	0.8	-1.0	1.0
MONTREAL	9.5	3.4	2.7	0.6	0.1	1.0	2.0
OTTAWA	6.7	5.6	3.9	-0.4	0.1	-0.2	0.6
TORONTO	16.6	22.4	-3.8	-15.1	-4.4	-2.6	0.0
HAMILTON	11.5	8.4	2.3	-5.9	-3.6	-3.7	1.5
ST. CATHARINES	6.5	8.4	7.0	-3.5	-2.4	-2.3	1.5
KITCHENER	9.0	10.3	2.0	-7.8	-3.0	-0.1	1.5
LONDON	7.7	9.7	5.7	0.5	0.2	-0.1	2.0
WINDSOR	5.3	8.9	4.4	0.0	-0.1	0.0	2.0
SUDBURY- THUNDER BAY	..	6.6	5.6	0.3	-0.5	1.6	1.9
WINNIPEG	1.2	-0.4	1.9	-0.2	-0.1	3.0	2.0
REGINA	1.6	1.6	1.8	2.4	4.6	3.2	3.0
SASKATOON	1.9	0.7	0.7	-0.8	0.5	3.8	3.0
CALGARY	8.7	7.2	12.4	-2.7	0.6	4.0	3.0
EDMONTON	5.1	8.3	15.9	2.2	0.9	2.8	2.7
VANCOUVER	5.2	15.6	5.7	-7.2	8.8	8.0	4.0
VICTORIA	7.3	10.0	7.0	-1.5	4.9	4.0	3.0
CANADA	10.3	13.2	1.5	-6.9	0.0	0.4	1.5

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

.. Figures not available.

\* Includes both house and land components.



## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2217	2040	1998	1892	1829	1850	1900
%	16.3	-8.0	-2.1	-5.3	-3.3	1.1	2.7
PEI	505	626	742	764	604	650	700
%	-0.4	24.0	18.5	3.0	-20.9	7.6	7.7
NS	5734	5863	6072	5811	7107	7000	6700
%	-2.9	2.2	3.6	-4.3	22.3	-1.5	-4.3
NB	3518	3490	3316	3259	3550	3800	4000
%	19.3	-0.8	-5.0	-1.7	8.9	7.0	5.3
QUE	30503	30618	28067	28005	31946	32000	33800
%	2.0	0.4	-8.3	-0.2	14.1	0.2	5.6
ONT	160578	142914	102792	126143	131381	122000	134000
%	19.5	-11.0	-28.1	22.7	4.2	-7.1	9.8
MAN	11129	10375	9356	9521	11383	10750	11000
%	-10.0	-6.8	-9.8	1.8	19.6	-5.6	2.3
SASK	7301	6850	6405	6505	7829	7150	7200
%	-7.3	-6.2	-6.5	1.6	20.4	-8.7	0.7
ALTA	30368	36249	33085	34360	38545	36500	36000
%	9.9	19.4	-8.7	3.9	12.2	-5.3	-1.4
BC	67460	83562	58027	84554	93564	88500	90900
%	19.7	23.9	-30.6	45.7	10.7	-5.4	2.7
CAN**	319313	322587	249860	300814	327738	*310200	*326200
%	14.1	1.0	-22.5	20.4	9.0	-5.4	5.2

### Average Residential Price (dollars and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	76828	83284	88654	90822	91590	92000	93000
%	4.6	8.4	6.4	2.4	0.8	0.4	1.1
PEI	65463	74168	69283	71034	75571	76000	77000
%	11.2	13.3	-6.6	2.5	6.4	0.6	1.3
NS	79591	82328	84650	86462	89360	91100	92900
%	0.9	3.4	2.8	2.1	3.4	1.9	2.0
NB	72101	75848	77752	80897	82478	85100	87400
%	6.6	5.2	2.5	4.0	2.0	3.2	2.7
QUE	95367	100517	100811	102795	102311	103500	106600
%	10.9	5.4	0.3	2.0	-0.5	1.2	3.0
ONT	161270	184605	175859	173723	162826	159500	162500
%	18.9	14.5	-4.7	-1.2	-6.3	-2.0	1.9
MAN	80427	82401	79961	80445	80686	81500	83500
%	4.4	2.5	-3.0	0.6	0.3	1.0	2.5
SASK	68355	70416	68963	67697	68406	69900	71500
%	3.9	3.0	-2.1	-1.8	1.0	2.2	2.3
ALTA	89554	98542	108675	111482	113558	117250	120000
%	6.7	10.0	10.3	2.6	1.9	3.3	2.3
BC	121040	151504	157616	168235	189999	215000	224000
%	18.8	25.2	4.0	6.7	12.9	13.2	4.2
CAN**	131526	148776	143432	149749	150760	*156800	*161500
%	18.1	13.1	-3.6	4.4	0.7	4.0	3.0

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.

## Vacancy Rate

### Apartment Structures of Three Units & Over Privately Initiated, by Metropolitan Area (per cent)

	*Number of Units	1992		1993		1994	
		APR	OCT	APR	OCT (F)	APR (F)	OCT (F)
CALGARY	48214	5.2	5.5	7.0	6.0	6.0	5.2
CHICOUTIMI- JONQUIÈRE	8239	4.8	7.1	5.4	6.1	5.5	5.9
EDMONTON	67667	3.8	4.0	5.5	5.5	5.9	4.8
HALIFAX	30262	5.5	5.7	7.1	7.2	6.9	6.1
HAMILTON	43382	2.4	2.3	2.8	2.6	2.4	2.0
KITCHENER	26656	4.2	4.4	5.3	5.3	5.1	5.0
LONDON	39885	4.1	3.4	3.9	3.5	3.4	3.0
MONTREAL	456784	6.4	7.7	6.4	7.4	6.0	6.7
OSHAWA	11151	4.4	6.1	5.8	6.2	5.5	5.0
OTTAWA	62196	1.4	1.3	1.8	1.5	1.7	1.4
HULL	18157	4.2	3.7	3.6	3.4	3.3	3.3
QUÉBEC CITY	70447	5.3	6.3	5.3	5.0	4.2	4.0
REGINA	12593	5.3	3.6	4.6	4.6	4.8	4.4
ST. CATHARINES- NIAGARA	16825	2.9	3.4	5.3	5.3	4.7	4.2
SAINT JOHN	8010	5.9	6.0	7.8	8.0	7.5	7.0
ST. JOHN'S	4794	7.3	5.6	7.9	5.7	6.4	5.0
SASKATOON	17840	7.6	4.4	6.7	4.9	4.0	4.0
SHERBROOKE	23212	8.6	9.3	8.0	8.2	7.5	7.6
SUDBURY	10184	2.1	2.5	5.1	4.3	3.5	3.1
THUNDER BAY	5343	2.1	2.5	3.2	3.4	3.8	3.7
TORONTO	295131	1.9	2.2	2.1	2.4	2.6	2.6
TROIS-RIVIÈRES	15608	7.9	7.0	7.0	6.0	6.0	6.6
VANCOUVER	110762	2.8	1.6	2.0	1.4	1.8	1.5
VICTORIA	24949	2.6	1.5	2.1	1.2	1.9	1.5
WINDSOR	14127	3.6	3.3	3.0	2.4	2.4	1.5
WINNIPEG	57198	5.9	6.1	5.7	5.2	4.7	4.1
CANADA**	1499616	4.4	4.8	4.7	4.8	4.4	4.4

SOURCE: CMHC.

(F) Forecast.

\* Total number of units in April 1993.

\*\* Weighted average of Metropolitan areas surveyed.

## Housing Completions

### Total (units and annual per cent change)

	1988	1989	1990	1991	1992	1993(F)	1994(F)
NFLD	3220	3783	3127	3219	2556	2007	2052
%	13.5	17.5	-17.3	2.9	-20.6	-21.5	2.2
PEI	993	927	683	722	595	590	590
%	5.3	-6.6	-26.3	5.7	-17.6	-0.8	0.0
NS	5793	4904	5477	4905	5485	4568	4485
%	-10.7	-15.3	11.7	-10.4	11.8	-16.7	-1.8
NB	3798	3383	2959	2858	3051	2420	2300
%	-3.7	-10.9	-12.5	-3.4	6.8	-20.7	-5.0
QUE	65224	50855	52630	42720	42323	36450	40600
%	-5.4	-22.0	3.5	-18.8	-0.9	-13.9	11.7
ONT	88727	99817	80562	59622	63134	49000	51000
%	0.1	12.5	-19.3	-26.0	5.9	-22.4	4.1
MAN	5621	6461	4028	2190	2190	2200	2200
%	-26.3	14.9	-37.7	-45.6	0.0	0.5	0.0
SASK	4352	2743	1575	1241	1554	1884	2007
%	-22.8	-37.0	-42.6	-21.2	25.2	21.2	6.5
ALTA	11201	12763	17467	12959	16307	17477	17212
%	20.0	13.9	36.9	-25.8	25.8	7.2	-1.5
BC	27603	31735	37655	29578	36050	38912	39162
%	16.9	15.0	18.7	-21.5	21.9	7.9	0.6
CAN	216532	217371	206163	160014	173245	*156000	*162000
%	-0.7	0.4	-5.2	-22.4	8.3	-10.0	3.8

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.



## Housing Completions

### Singles (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2961	3217	2434	2402	1869	1391	1450
%	17.5	8.6	-24.3	-1.3	-22.2	-25.6	4.2
PEI	678	539	391	438	392	410	480
%	-6.9	-20.5	-27.5	12.0	-10.5	4.6	17.1
NS	3597	3274	3473	2739	3340	3235	3130
%	-14.2	-9.0	6.1	-21.1	21.9	-3.1	-3.2
NB	3111	2773	2332	2136	2244	1470	1500
%	-3.4	-10.9	-15.9	-8.4	5.1	-34.5	2.0
QUE	28980	24456	27199	21190	19590	17000	19300
%	-2.3	-15.6	11.2	-22.1	-7.6	-13.2	13.5
ONT	58072	54732	43130	27499	30193	27100	29150
%	-5.4	-5.8	-21.2	-36.2	9.8	-10.2	7.6
MAN	3916	3263	3109	1810	1744	1700	1800
%	-20.6	-16.7	-4.7	-41.8	-3.6	-2.5	5.9
SASK	2525	1523	1112	884	1278	1516	1586
%	-29.9	-39.7	-27.0	-20.5	44.6	18.6	4.6
ALTA	9586	10956	14699	9967	12873	12938	12500
%	17.4	14.3	34.2	-32.2	29.2	0.5	-3.4
BC	15785	18736	20111	16072	19835	19903	18210
%	6.5	18.7	7.3	-20.1	23.4	0.3	-8.5
CAN	129211	123469	117990	85137	93358	*87000	*89000
%	-3.0	-4.4	-4.4	-27.8	9.7	-6.8	2.3

### Multiples (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	259	566	693	817	687	616	602
%	-17.8	118.5	22.4	17.9	-15.9	-10.3	-2.3
PEI	315	388	292	284	203	180	110
%	46.5	23.2	-24.7	-2.7	-28.5	-11.3	-38.9
NS	2196	1630	2004	2166	2145	1333	1355
%	-4.4	-25.8	22.9	8.1	-1.0	-37.9	1.7
NB	687	610	627	722	807	950	800
%	-4.8	-11.2	2.8	15.2	11.8	17.7	-15.8
QUE	36244	26399	25431	21530	22733	19450	21300
%	-7.7	-27.2	-3.7	-15.3	5.6	-14.4	9.5
ONT	30655	45085	37432	32123	32941	21900	21850
%	12.7	47.1	-17.0	-14.2	2.5	-33.5	-0.2
MAN	1705	3198	919	380	446	500	400
%	-36.7	87.6	-71.3	-58.7	17.4	12.1	-20.0
SASK	1827	1220	463	357	276	368	421
%	-10.3	-33.2	-62.0	-22.9	-22.7	33.3	14.4
ALTA	1615	1807	2768	2992	3434	4539	4712
%	38.5	11.9	53.2	8.1	14.8	32.2	3.8
BC	11818	12999	17544	13506	16215	19009	20952
%	34.4	10.0	35.0	-23.0	20.1	17.2	10.2
CAN	87321	93902	88173	74877	79887	*69000	*73000
%	3.1	7.5	-6.1	-15.1	6.7	-13.6	5.8

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Labour Markets

### Employment (annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	5.5	4.1	0.0	-2.0	-4.6	-0.5	1.1
PEI	3.8	0.0	1.9	-3.6	-0.0	1.5	1.5
NS	4.6	1.9	1.6	-2.1	-2.7	-1.0	1.1
NB	2.9	1.4	2.5	-1.7	1.0	1.4	1.7
QUE	2.8	1.0	0.8	-2.2	-1.1	0.7	1.7
ONT	3.7	1.8	-0.2	-3.4	-1.2	1.9	2.2
MAN	0.4	0.8	1.4	-2.4	-1.8	-0.2	0.4
SASK	-0.4	-1.1	0.7	-0.2	-1.8	0.2	0.2
ALTA	3.5	2.3	1.4	1.2	-0.5	0.3	0.6
BC	4.1	5.6	2.4	1.4	1.9	2.3	2.6
CAN	3.2	2.0	0.7	-1.8	-0.8	1.2	1.8

### Unemployment Rate (per cent)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	16.4	15.8	17.1	18.4	20.2	19.7	19.2
PEI	13.0	14.1	14.9	16.8	17.7	17.0	16.4
NS	10.2	9.9	10.5	12.0	13.1	14.0	13.8
NB	12.0	12.5	12.1	12.7	12.8	12.5	12.4
QUE	9.4	9.3	10.1	11.9	12.8	13.1	12.9
ONT	5.0	5.1	6.3	9.6	10.8	10.7	10.5
MAN	7.8	7.5	7.2	8.8	9.6	9.7	10.0
SASK	7.5	7.4	7.0	7.4	8.2	8.5	8.3
ALTA	8.0	7.2	7.0	8.2	9.5	9.5	9.4
BC	10.3	9.1	8.3	9.9	10.4	9.8	9.0
CAN	7.8	7.5	8.1	10.3	11.3	11.2	11.0

SOURCE: Statistics Canada.  
(F) Forecast by CMHC.

## Demographics

### Total Net Migration (number of persons)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	-1952	-2314	-770	-1275	-3128	-2500	-3200
PEI	521	0	-127	-1521	561	700	700
NS	1000	1606	816	2019	-692	-300	-100
NB	-1259	118	1047	-1855	-1933	-1800	-1500
QUE	14366	21007	26395	34115	26472	26500	29500
ONT	85969	84506	81827	94741	114312	119000	122500
MAN	-5309	-5975	-3875	-4201	-3511	-2500	-2000
SASK	-14902	-17299	-14064	-8250	-6825	-9000	-10300
ALTA	2867	13985	23959	15194	8142	9000	9500
BC	44170	57485	61753	58107	70290	67000	64000
CAN*	125471	153119	176961	187074	203688	206100	209100

SOURCE: Statistics Canada.

(F) Forecast by CMHC.

\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	91:Q4	92:Q1	92:Q2	92:Q3	92:Q4	93:Q1	93:Q2
<b>New housing</b>							
Building permits, units, thousands	183.8	178.4	167.8	165.3	164.6	150.1	152.1
%	-1.7	-2.9	-5.9	-1.5	-0.4	-8.8	1.4
Housing starts, total, thousands	180	169	168	169	169	146	154
%	0.8	-6.1	-0.4	0.4	-0.1	-13.6	5.5
Housing starts, singles, thousands	95	85	92	92	100	74	80
%	-4.2	-10.9	7.9	0.4	8.8	-25.7	7.0
Housing starts, multiples, thousands	84	84	76	77	68	71	74
%	7.3	-0.7	-8.8	0.4	-10.7	3.9	3.9
Housing completions, total, thousands	158	169	174	179	172	149	157
%	1.3	6.7	3.1	2.8	-3.9	-13.2	5.1
New house price index, 1986=100	134.3	133.8	134.0	134.6	134.9	135.2	135.9
%	-0.2	-0.4	0.2	0.4	0.2	0.2	0.5
<b>Existing housing</b>							
MLS resales, units, thousands	278.1	311.4	333.9	339.5	326.1	248.6	341.7
%	-2.7	12.0	7.2	1.7	-3.9	-23.8	37.4
MLS average resale price, \$C thousands	147.1	146.2	150.1	153.4	154.2	151.5	154.6
%	-0.7	-0.6	2.7	2.2	0.5	-1.8	2.0
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	260.5	266.3	272.8	278.8	286.2	291.0	294.7
%	2.4	2.2	2.4	2.2	2.6	1.7	1.3
Mortgage approvals, \$C billions	70.1	83.2	73.6	85.6	90.8	64.5	..
%	-9.5	18.7	-11.5	16.3	6.1	-29.0	..
1-year mortgage rate, per cent*	8.92	8.67	8.17	6.50	8.15	7.55	7.25
5-year mortgage rate, per cent*	10.18	10.00	9.93	8.71	9.42	9.32	8.95
<b>Residential investment**</b>							
Total, \$1986 billions	31.9	32.5	32.6	32.9	33.0	30.9	31.1
%	1.4	1.9	0.3	0.9	0.1	-6.2	0.4
New, \$1986 billions	15.8	15.5	15.4	15.5	15.7	15.3	14.8
%	5.9	-1.6	-0.5	0.4	1.5	-2.7	-3.5
Alterations, \$1986 billions	10.2	10.1	10.1	10.1	10.3	9.7	9.4
%	-0.8	-0.7	0.5	-0.5	1.6	-5.3	-3.0
Transfer costs, \$1986 billions	6.0	6.9	7.1	7.3	7.0	5.9	6.8
%	-5.7	15.8	1.7	4.1	-5.2	-15.4	16.2
Deflator, 1986=100	131.9	132.7	133.7	135.0	135.5	136.0	137.7
%	-0.6	0.6	0.8	1.0	0.4	0.4	1.3

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.







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**NATIONAL  
HOUSING  
OUTLOOK**  
FOURTH  
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**Canada**

**NATIONAL HOUSING OUTLOOK  
FOURTH QUARTER, 1993**

**MARKET ANALYSIS CENTRE  
CANADA MORTGAGE AND HOUSING CORPORATION**

Forecast prepared November, 1993



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# NATIONAL HOUSING OUTLOOK

## Housing starts climb again

Residential construction markets rose slightly in the third quarter of 1993 in the second consecutive advance of the year. This brought third-quarter housing starts to 159,500 units on a seasonally-adjusted-annual-rate basis (SAAR), up 3.9 per cent from 153,500 units in the second quarter.

The advances are largely due to low interest rates and the two government homeownership incentive programs. The growth might have been even bigger if not for the halting pace of economic recovery and ongoing consumer caution. Indeed, new residential construction has been checked by an abundant supply of vacant rental units and plenty of both new and existing homes for sale.

The third quarter gains were narrowly based, reflecting higher starts of multiple units, mainly in British Columbia. For all cities combined, construction of multiples rose to 68,200 units SAAR, up 8.1 per cent from 63,100 units during the preceding quarter.

Meanwhile, construction of single-detached dwellings in cities inched down 2.6 per cent to 62,900 units SAAR. Smaller centres and rural areas saw starts increase by 10.1 per cent, but this amounted to only 28,400 units SAAR.

The hesitant pace of the economy was also reflected in the resale market. Sales of existing homes through the Multiple Listing System (MLS)\* slid to an annual rate of 304,100 units

SAAR, or 11.0 per cent less than in the second quarter.

Average prices in the existing market were virtually stable, following an increase of 2.0 per cent during the second quarter. The pause was mainly due to reduced activity and levelling off of prices in the very active and high-priced British Columbia market.

## *Housing starts to reach 165,500 units in 1994*

### Gradual pace of expansion will continue

Canada's economy will continue to expand at a moderate pace over the next year. This will keep inflation and interest rates down, thus ensuring that homebuying remains affordable, but these benefits will be offset by other trends less favourable to housing markets.

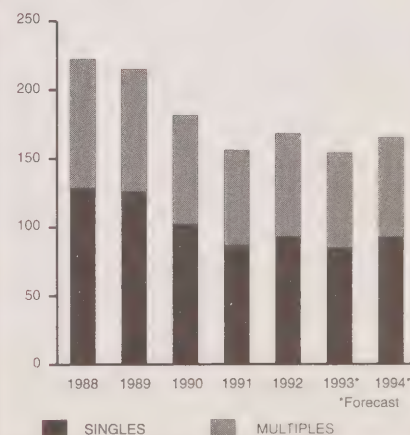
Following an increase of 2.5 per cent this year, the nation's gross domestic product will expand further by slightly more than 3.0 per cent in 1994. Much of the growth will come from a strong export performance, and, to a lesser extent, business investment in machinery and equipment. Consumer spending will contribute too, as confidence recovers gradually after falling to a three-year low in the second quarter of 1993. Expansion will be limited, how-

ever, by large public sector deficits at all levels of government.

The limited growth will mean low inflation and this, along with low interest rates in the U.S., should mean that mortgage rates continue to stay down in Canada. In fact, the slow recovery and low inflation both in Canada and around the world could bring the rates down even further. The affordable borrowing rates will encourage homeownership, as will stable house prices and a gradual improvement in consumer incomes.

The economic expansion will retain some features that are detrimental to housing demand. Restructuring will continue, affecting middle-income groups the main clientele for home purchasing and move up markets. As well, house prices will rise only gradually and will not keep pace with inflation in most regions. This trend will undercut investment motives in home buying.

**Housing Starts  
Units Thousands (Annually)  
CANADA**



SOURCE: CMHC.

\* Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association.

## Move-up buyers are back

An informal survey conducted among CMHC's network of market analysts in major centres shows that, after the slowdown of the past few years, move-up buying has resumed, although at a gradual pace. The trend in both the new and the resale markets is towards larger, more expensive homes, and away from the smaller entry-level variety. This means more people are seeking single-detached homes, or larger, more expensive semi-detached, row-house and condominium units.

This return of move-up buyers is a heartening sign. It is happening even though economic expansion has been slow and prices are rising in only a few of Canada's housing markets.

Of course, the situation varies across the country. While repeat and move-up buyers are very active in Vancouver and Victoria, any vitality in Ontario, Quebec and the Atlantic region is coming from first-time buyers and from repeat buyers who are not necessarily moving up.

An increase in move-up buying normally signals the expansion phase of the business cycle. In the early phase of recovery, first-time buyers tend to kick-start the market as interest rates fall, houses become more affordable and they are able to release demand pent up during the recession. Then, gradually, as house prices rise and owners benefit from equity build-up in their homes, move-up buyers become more active. Their presence is especially important for builders because move-up buyers tend to prefer not only larger homes, but also new homes.

In the current economic environment, two contradictory phenomena are occurring. The low prices in most markets are discouraging move-up buying, since owners do not expect to gain equity quickly. At the same time, however, the price gap between the types of homes selected by first-time buyers and those selected by the move-up has narrowed. This has made move-up buying more affordable and is encouraging some consumers to move-up more quickly than they normally would.

If this trend continues, and it likely will, it will lead to more new construction and more resales of higher-priced units. But as with everything else in this recovery, such a shift appears to be a gradual process. For example, there will be more activity toward the mid-price segment of the market rather than the high-price one.

In the longer term, the move-up market will also be greatly affected by the fact that the baby boomers will pass their peak years of family raising during the 1990s.

The influences shaping the move-up market in the coming years will therefore include:

- **GRADUAL MOVE-UP:** With gradual price increases, homeowners are not gaining equity quickly, which means move-ups will occur at a slow pace.
- **MORE AFFORDABILITY:** Moving-up is more affordable now than it has been for many years, since the price gap between entry-level and luxury homes is relatively small and mortgage rates are low.
- **CHANGING LIFE STYLE:** The aging of the baby boom generation and an increasing number of empty nesters may mean more repeat buying but not necessarily move-ups in the traditional sense. The move may be from a standard bungalow to an upper-range condominium unit.

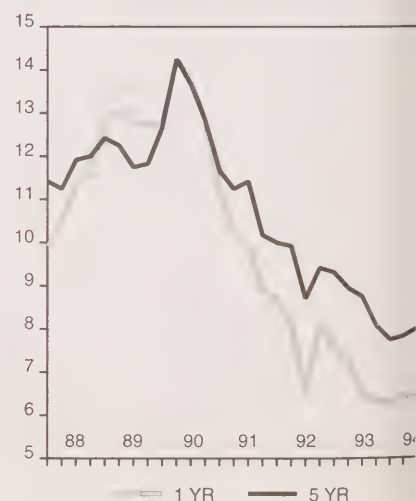
Finally, a significant factor in housing demand is a rising population. However, this effect is somewhat dampened now. This is because new immigrants constitute a large share of total population growth and, compared to other residents, their demand for housing is restrained due to lower incomes and larger households.

## 1994 to bring moderate recovery

The coming year will see a continuation of the gradual recovery in housing markets, with starts forecast to rise a moderate 6.0 per cent. This will bring the starts total to 165,500 units in 1994, up from the projected 1993 overall level of 156,100.

The construction of single-detached units will climb 8.1 per cent to 92,400 units, recovering the ground lost this year when the singles total fell. Repeat buyers, including those moving up to larger homes, will provide some additional stimulus to that market in 1994. Construction of multiple units will increase 3.5 per cent to

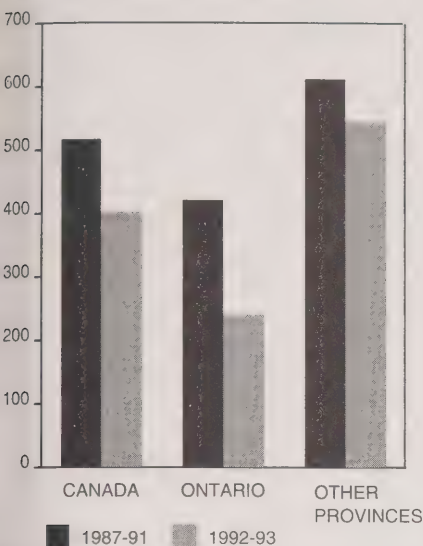
**Mortgage Rates**  
**Per cent**  
**Major Financial Institutions**



SOURCE: Bank of Canada Review.  
1993-94 CMHC forecast.



**Ontario Starts Rate down from late 1980s and very low compared to other regions**



73,000 units, resulting in only a partial recovery from the 6.5 per cent decline this year.

The new year's outlook will be shaped by regional and local trends, particularly in Ontario. Just as this province was the major factor in the overall drop in housing activity during 1993, it will be the main source of growth next year. This year's slump in Ontario has been due to reduced construction of social housing units. The strength in 1994 will come from the private ownership market that will warm up as more people find jobs in the province's recovering manufacturing and export sectors. The market will also benefit from a reduced supply of new units, particularly condominium units in the Toronto area. This reduced stock will stimulate new construction.

As the chart on this page shows, housing supply is not keeping up with population growth in Ontario. For 1993, the province can expect 45,300 housing starts, but a population increase of nearly

200,000 people. This is a rate of about 225 starts for every 1,000 extra people and is in sharp contrast with the situation in other regions of the country and that of Ontario during the 1980s. The rate elsewhere in Canada is about 500 units to each 1,000 additional people. This discrepancy is due, at least in part, to the fact that much of Ontario's population growth comes from high immigration and recent immigrants tend to form larger households, hence they tend to require fewer homes than other residents.

The current weakness in Ontario's new construction market is due to various other factors as well: economic conditions, surplus housing stock and the aging of baby boomers bringing them past the family-raising years and reducing their interest in large homes. The market should recover as economic conditions improve and some of the surplus stock is absorbed. But even the expected gains in the new year will leave Ontario at a relatively lower rate of starts per additional 1,000 people than other regions or compared with its records in the late 1980s.

In Quebec and, to some extent, Manitoba, the recovery in manufacturing will also contribute to increased employment and housing demand. Demand has been strong all year in Alberta and in British Columbia, but 1994 should see some cooling off in these heated markets and a slower pace of starts as a result.

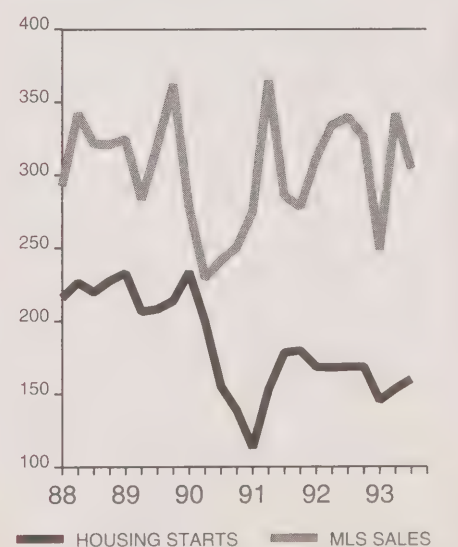
### Resales to rise in 1994

The resale market will experience an overall decline in 1993, but it should start to bounce back in the coming year. Home sales through the MLS system are expected to

stand at 301,700 in 1993, a drop of 7.9 per cent from the year before. This will be mainly due to market softness early in the year following the interest rate hikes at the end of 1992. As demand gradually firms up, total sales should increase by 5.8 per cent in 1994.

The average resale price for Canada will rise by a modest 2.5 per cent in 1993, less than was earlier expected. This low rate is mainly due to a slowdown in activity in the British Columbia market and a levelling off of prices there. Nevertheless, resale prices in that province will have climbed 11.6 per cent by the end of the year. Other provinces will see at least some price increase, except for Ontario and P.E.I. which will post declines. For 1994, prices overall are expected to climb by between 1 and 4 per cent. ■

### Housing Starts and Residential MLS Sales Seasonally adjusted at annual rates Units Thousands (Qtrly) Canada



# PROVINCIAL HOUSING OUTLOOKS

## Newfoundland

### *Third quarter sees markets edge up*

Low interest rates and reduced downpayment requirements boosted homebuying activity during the third quarter, a trend that should lead to marginal growth in the province's housing markets for 1993. Total starts for the year are expected to increase by a modest 3.5 per cent.

Awareness that now is a good time to buy prompted many people to do so in recent months and released some of the demand held in check previously by consumer caution. In addition, reduced supplies of completed and unoccupied homes in urban centres and an increase in rural area activity hiked singles starts during the third quarter. Multiple-unit starts also rose during this period by 13.4 per cent because of increased government-assisted construction, particularly in rural areas. The resale market also benefited from conditions favouring homeownership with third quarter MLS sales at their highest level since 1988. As a result, total provincial MLS sales will post marginal gains in 1993, following four years of reduced activity.

Next year, however, the performance of Newfoundland's housing markets will be mixed. On the one hand, job uncertainty and out-migration from the province will put a damper on the current rate of activity. Multiple-unit construction will decline as a result of fewer starts of both government-assisted housing and single-detached homes with base-ment apartments. This will contribute to a forecast 6.4 per cent drop

in total housing production for 1994. On the other hand, an abundant supply of affordable homes and increased demand from the move-up segment will boost total MLS sales by 2.7 per cent in 1994.

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## *Housing market performance in Atlantic will be stable in 1994.*

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## Prince Edward Island

### *Markets boosted by development projects*

The province's housing markets should receive a large boost in the fourth quarter of 1993 because of a sunny economic forecast. The main development is the long-awaited fixed link project which is already underway after the recent signing of the implementation agreement. A second major project, the new GST processing centre, began operations in October. A third bonus to the economy is this year's potato harvest which is off to an excellent start and should ring up high selling prices at least double those of last fall.

All these factors will push single-detached construction for 1993 up by 14 per cent over last year, while sales of existing homes should increase by 5 per cent. The average sale price of existing homes will decline, however. This is primarily because

most of the economic growth will occur in the less expensive areas outside Charlottetown.

Improvements in the economy will continue throughout 1994 despite ongoing restructuring and anticipated downsizing in the provincial government. Starts of single-detached homes are forecast to increase for the third year in a row in 1994, while apartment construction declines. The resale market will experience increased sales and a higher average price in 1994 as a result of the substantial economic recovery.

## Nova Scotia

### *Moderate gains forecast for 1994*

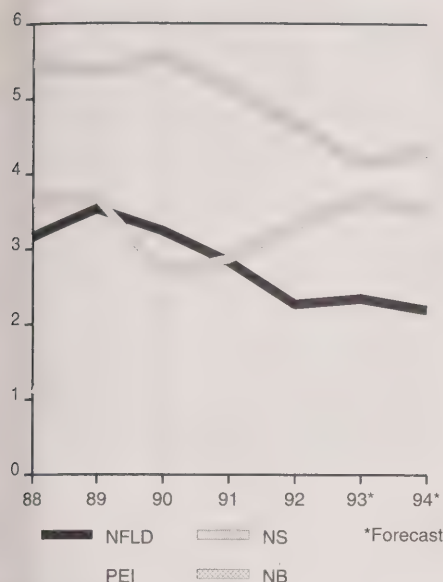
Total housing starts in Nova Scotia are forecast to decline to 4,150 units in 1993, but edge up to 4,300 units in 1994. The growth will be mainly in singles starts and will be due to modest job growth, continued low mortgage rates and the government incentive program for first-time home buyers. The provincial government introduced an additional incentive this fall a sales tax rebate on materials for new houses (to a maximum \$3,000). Although considered a good move, the rebate is expected to have only a moderate impact on the housing industry in 1994.

As anticipated, third-quarter construction declined significantly from the same period last year mainly due to fewer apartment starts this year. Single-unit starts, however, are on par with last year and are expected to rise slightly in 1994.

Multiple-unit housing starts are forecast at 1,000 units in 1993 and



**Housing Starts  
Units Thousands (Annually)  
Atlantic Region**



SOURCE: CMHC.

1100 units in 1994. These levels are well below the traditional average of 2,200 units annually over the last ten years. The decline is mainly because of high vacancy rates in most cities in the province. The change for 1994 will result from the distribution of the multiple starts. Almost all will be located in Halifax where low interest rates and proactive civic officials are attracting developers back to the market in spite of the city's high vacancy rates.

Annual MLS sales volumes are forecast to remain high this year and next. Although monthly sales have slipped downward over the third quarter after a strong first half, year-to-date sales are four per cent higher than those recorded in 1992. This may reflect a greater proportion of resales being listed in the MLS, rather than an increased demand for existing units. This restructuring will likely peak in 1993, and resale activity in 1994 will probably decline slightly, as housing

demand levels off. The combination of a higher number of sales and a constant number of active listings will result in modest price increases in 1993 and 1994.

## New Brunswick

### *Gains forecast for 1993, but slight downturn for 1994*

Total housing starts will increase by 12 per cent in 1993, but drop off somewhat in 1994 as the slow pace of economic expansion and high unemployment continue.

In 1993, multiple-unit construction will lead the market, but this sector will slow down in the coming year as the rental market becomes oversupplied. The decline in multiples, coupled with merely a slight increase in single-family starts, will result in a 5.4 per cent downturn in housing activity next year.

The all-important urban homeownership market, a barometer of consumer confidence, has improved only marginally over last year, and starts actually decreased during the summer months. This trend reflects the rather fragile nature of the current economic recovery. Although, the economy may expand by 3 per cent next year, limited wage increases and an unemployment rate of over 12 per cent will keep the lid on new residential construction.

Both 1993 and 1994 will see only modest improvement in sales through the local real estate boards. Despite low mortgage rates and historically affordable prices throughout the province, consumers do not feel secure enough about the future to take on more debt by moving up to more expensive homes. A weak move-up market and a stalled first-time

buyer market will place little upward pressure on prices both this year and next.

## Quebec

### *Starts, sales and prices to rise in 1994*

Quebec's housing starts will finish off at 35,500 units in 1993, making this the sixth year in a row to post a decline. However, 1994 will see a recovery, with the starts total to reach 39,500 by the end of the year.

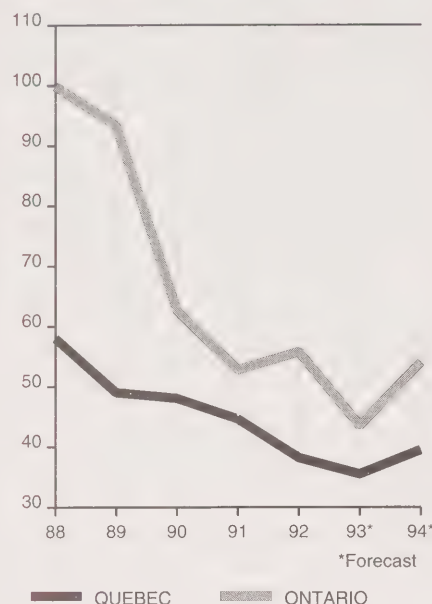
The weak performance in 1993 will be due to reduced job opportunities and incomes, along with a sluggish resale market and a high stock of vacant units. These conditions were particularly apparent in the third quarter which saw activity level off after a 25 per cent gain in housing starts in the second quarter. The third quarter total was 37,400 starts at a seasonally adjusted annual rate.

For 1993 as a whole, new single-detached homes will decrease by 5.7 per cent and multiple housing by 8.5 per cent. In this latter sector, a drop in rental housing construction has cancelled out the increase in condominium, semi-detached, and row housing units.

Recovery in 1994 will come as a result of many factors, including the gradual return of move-up buyers, encouraged by more sustained job growth and a stronger resale market. Single-family home construction, which is generally intended for this client type, will rise by 10.8 per cent from 1993, to 19,400 starts in 1994. The multiples market will reach 20,100 starts, 11.7 per cent more than in 1993. This increase will be due to more new condominiums, many of them mid-range or upscale units.



### Housing Starts Units Thousands (Annually) Quebec and Ontario



SOURCE: CMHC.

Rental housing construction, on a free fall since 1988, will stabilize in 1994 as a result of the gradual decrease in the vacancy rate.

Like new construction, the resale market will finish down in 1993 and up in 1994. Resales fell in the third quarter of 1993, after a rise in the second. This decline will bring the year's total to 31,500 MLS sales, 1.3 per cent less than in 1992. MLS sales in 1994 should go back up to 33,000 units, thanks to more favourable economic conditions. Higher sales, along with a larger market share for more expensive properties, will produce a 3 per cent rise in the average MLS price in 1994, compared to a meagre 0.8 per cent increase this year.

## Ontario

### Markets to rebound in 1994

The slow pace of job creation in Ontario this year took its toll on consumer confidence, which in turn put a damper on the province's housing markets. The worst news was in the multiples market where starts plunged by 43.7 per cent during the first three quarters bringing the estimated total for 1993 to 18,800. By contrast, singles starts dropped only a modest 5.9 during the same period, making the forecast total for the year 26,500.

Most of the decline in multiples was due to a drop in government-assisted rental and co-op construction. The decrease in privately built condominium and other multiple-units starts was not as steep, and private rental construction rose slightly, the only segment of the market to post any gains.

## *Economy and immigration will boost Ontario market next year.*

Existing home sales suffered a downturn in the early part of the year but recovered somewhat due to an influx of first-time buyers. These were drawn into the market by low prices and low interest rates, producing the most affordable mortgage carrying costs in over five years. Government

homeownership incentive programs also helped boost existing home sales from the lows experienced at the outset of the year. Despite this rebound, the resale market should finish 7.9 per cent lower this year than last. The average MLS price will be down 2.5 per cent.

Next year's forecast is more favourable because of an improved economy and high immigration levels. Economic recovery in the United States, along with a low Canadian dollar, is expected to hike Ontario's manufactured goods exports and promote full-time jobs. This will bring welcome relief to an economy that has seen much full-time employment replaced by the part-time variety and consumer confidence fall as a result. However, employment growth will occur at a slower rate than was the case at the end of previous recessions.

The growth of the population due to high immigration and migration from other provinces should boost housing demand in 1994 and stimulate the market. The province is experiencing the biggest immigration wave in decades, and anticipates stronger levels of migration from other parts of Canada in the near future.

As a result of these factors, move-up buyers should increase in 1994 and push singles starts up by 18.9 per cent to 31,500. Multiples will rise to 22,500 starts, as the inventory of newly completed and unoccupied homes becomes depleted. The growth in this market will be in condominiums, modestly priced semi-detached units and row houses. Ontario's average MLS price should climb modestly in 1994 as favourable borrowing rates pump up demand amidst a diminishing supply of new

listings. Existing home sales next year should jump 11.7 per cent, fuelled by growing consumer confidence.

## Manitoba

### *Sustained recovery predicted for 1994*

Housing markets in Manitoba have been generally weaker than expected this year despite lower mortgage rates, stable prices and improved affordability. Although new housing starts have equalled last year's, resales have failed to reach 1992 levels. However, the province's labour market improved during the third quarter, suggesting a more sustained recovery for 1994.

The expansion will be due to stronger exports of manufactured goods and livestock, along with increased investments in telecommunications and pharmaceuticals. These promising factors may be offset somewhat, however, by continued retrenchment in the financial and transportation industries, chronic weakness in the

resource sector and further cut-backs in public spending.

In the new single-detached market, starts in 1993 will reach about the same total as last year and rise to slightly less than 2,000 units in 1994. This forecast might have been greater if not for the inventory surplus created over the summer months. In contrast, multiple-unit starts have faltered this year due to oversupplied rental markets and fewer publicly-funded projects. Improvements in 1994 will come from a stronger condominium market moderated, however, by additional social housing cuts.

After heavy activity in 1992, resales have subsided to more sustainable levels during 1993. Next year, this sector can expect a modest resurgence. As for average resale prices, these have remained static in Manitoba since 1991 with only marginal increases in 1993. More balanced market conditions and stronger demand from move-up buyers should push prices upwards in 1994.

## Saskatchewan

### *Modest economic growth expected*

Saskatchewan's economy is expected to grow 2.6 per cent in 1994, fuelled by activity begun in 1993 in primary industries such as mining, oil exploration and natural gas development. The agriculture forecast is also promising since diversification of crops into canola and other alternative grains, along with better yields, has limited the impact of poor weather on 1993's harvest.

The economic upturn should translate into new jobs, particularly in the service sector. On the down side, the province recently

reduced hospital services in several rural communities in a first phase of health care reform, and this has meant job losses.

Housing markets in Saskatoon and other urban areas have been quite busy during 1993, but Regina has experienced a slow-down because of reductions in company relocations. The city has seen fewer new single-detached homes go up, and, as a result, the total number of singles built in 1993 in Saskatchewan will be about the same as in 1992.

Economic growth in 1994 should improve this trend, encouraging more move-up house construction in all Saskatchewan cities and prompting an upsurge in new singles in towns close to primary industries. In addition, the aging of the population will create demand for low-maintenance condominiums and spur the building of more apartment and town-house condominiums in Regina, Saskatoon and other cities.

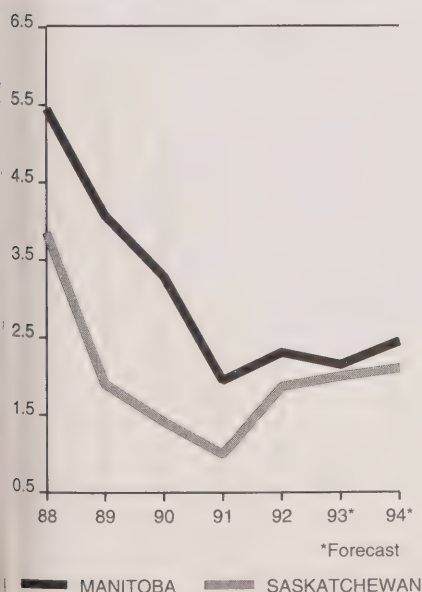
Although resales have remained stable, the limited inventory of existing-home listings will mean higher prices in 1994 and will also contribute to a greater number of starts in the new year. Move-up buyers will be disappointed by the low number of listings to choose from and will have to satisfy their demand with new construction. At the same time, the surplus of rental housing in cities will be reduced through in-migration of families from rural Saskatchewan and the slow pace of new rental construction.

## Alberta

### *Housing demand softening*

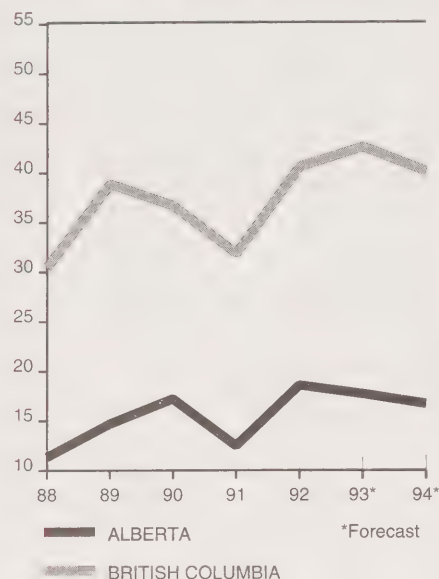
Growing inventories of completed and unoccupied units suggest that housing demand is softening in

**Housing Starts**  
**Units Thousands (Annually)**  
**Manitoba and Saskatchewan**





**Housing Starts  
Units Thousands (Annually)  
Alberta and British Columbia**



SOURCE: CMHC.

Alberta, at least in the major centres. Another sign is the decline in single-detached starts during the third quarter, although the development of large condominium projects has continued. These projects sustained residential construction over the quarter, bringing housing starts to 5,200 units, or 18,100 units at a seasonally adjusted annual rate.

Resale markets have shown a similar pattern. Sales of existing houses have been lower on a year-to-date basis in Calgary and Edmonton, but have increased in several smaller cities. These centres have benefitted from oil and gas exploration and, to a lesser extent, from an influx of retiring farm families.

For 1994 as a whole, the outlook is very slow economic expansion and job growth due to the winding down of major construction projects and provincial government expenditure cuts. The key stimulus to the economy will still be exports, particularly natural

gas, as collection and distribution pipelines are expanded to serve increasing international demand.

In housing markets, new construction and resales are expected to decline during the fourth quarter and through 1994. Demand will continue to soften as aging of the population results in the formation of fewer households, while negligible employment growth discourages migration. At the same time, developers will seek to reduce inventories of completed and unoccupied units before beginning new projects.

## British Columbia

### *Demand to stay high next year*

British Columbia's housing market turned in a mixed performance in the third quarter as resale activity turned down, while starts picked up. In addition, resale prices slid downwards, as new house prices rose. Although purchasers became more selective, the right product at the right price moved well.

The main driving force in the current market is affordability. Developers are building more multiple-unit housing and smaller-sized units in an effort to offset high land costs and to keep the purchase price within reach of potential consumers. New construction would be even more active than it already is, but it is being held back by tight financing and land supply constraints for ground-oriented housing.

Next year should see continued strong housing demand because of a better job market, excellent mortgage rates and the ongoing effects of the two government homeownership incentive programs. High numbers of new immigrants com-

ing into the province will also fuel demand, although this influx will be offset somewhat by a decline in newcomers from other provinces. In addition, consumer confidence should recover next year after being constrained during the past two quarters by job uncertainty and tax increases. Excess supply, which is not accompanied by a large drop in demand, is usually a short-term occurrence and does not cause a cyclical downturn.

## *New construction will inch down in British Columbia and Alberta.*

Stimulated by healthy consumer demand, housing activity should remain high in 1994, although the upward trend of recent years will have levelled off. Sales of existing houses will likely stay strong since prices have reached record levels following double-digit price increases over the past two years. However, new ground-oriented housing will be faced with supply constraints, keeping prices higher than they would otherwise be. The apartment condominium market, particularly high-rises, will be more competitively priced. Pre-selling requirements in this sector should limit speculative excesses. ■



## Housing Starts

### Total (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	3168	3536	3245	2836	2271	2350	2200
%	18.1	11.6	-8.2	-12.6	-19.9	3.5	-6.4
PEI	1151	815	762	553	644	600	620
%	23.4	-29.2	-6.5	-27.4	16.5	-6.8	3.3
NS	5478	5359	5560	5173	4673	4150	4300
%	-15.2	-2.2	3.8	-7.0	-9.7	-11.2	3.6
NB	3621	3681	2683	2872	3310	3700	3500
%	-2.6	1.7	-27.1	7.0	15.3	11.8	-5.4
QUE	58062	49058	48070	44654	38228	35500	39500
%	-21.7	-15.5	-2.0	-7.1	-14.4	-7.1	11.3
ONT	99924	93337	62649	52794	55772	45300	54000
%	-5.0	-6.6	-32.9	-15.7	5.6	-18.8	19.2
MAN	5455	4084	3297	1950	2310	2150	2450
%	-33.3	-25.1	-19.3	-40.9	18.5	-6.9	14.0
SASK	3856	1906	1417	998	1869	2000	2100
%	-21.2	-50.6	-25.7	-29.6	87.3	7.0	5.0
ALTA	11360	14712	17227	12492	18573	17700	16700
%	5.3	29.5	17.1	-27.5	48.7	-4.7	-5.6
BC	30487	38894	36720	31875	40621	42600	40100
%	5.3	27.6	-5.6	-13.2	27.4	4.9	-5.9
CAN	222562	215382	181630	156197	168271	*156100	*165500
%	-9.5	-3.2	-15.7	-14.0	7.7	-7.2	6.0

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## Housing Starts

### Singles (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2839	2932	2468	2135	1611	1600	1600
%	12.2	3.3	-15.8	-13.5	-24.5	-0.7	0.0
PEI	704	456	483	376	421	480	520
%	0.7	-35.2	5.9	-22.2	12.0	14.0	8.3
NS	3867	3361	3639	2604	3232	3150	3200
%	-6.1	-13.1	8.3	-28.4	24.1	-2.5	1.6
NB	2953	2909	2137	2154	2391	2550	2750
%	-0.1	-1.5	-26.5	0.8	11.0	6.6	7.8
QUE	27724	24493	24942	22531	18564	17500	19400
%	-11.8	-11.7	1.8	-9.7	-17.6	-5.7	10.9
ONT	57099	53511	32425	26290	27868	26500	31500
%	-12.1	-6.3	-39.4	-18.9	6.0	-4.9	18.9
MAN	3601	2966	2847	1589	1683	1700	1950
%	-22.2	-17.6	-4.0	-44.2	5.9	1.0	14.7
SASK	2246	1383	1087	775	1484	1525	1625
%	-25.0	-38.4	-21.4	-28.7	91.5	2.8	6.6
ALTA	9671	12345	13809	9778	14125	12300	12000
%	1.9	27.6	11.9	-29.2	44.5	-12.9	-2.4
BC	17761	21612	18478	18335	21472	18200	17900
%	8.6	21.7	-14.5	-0.8	17.1	-15.2	-1.6
CAN	128465	125968	102315	86567	92851	*85500	*92400
%	-8.3	-1.9	-18.8	-15.4	7.3	-7.9	8.1

### Multiples (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	329	604	777	701	660	750	600
%	116.4	83.6	28.6	-9.8	-5.8	13.6	-20.0
PEI	447	359	279	177	223	120	100
%	91.0	-19.7	-22.3	-36.6	26.0	-46.2	-16.7
NS	1611	1998	1921	2569	1441	1000	1100
%	-31.2	24.0	-3.9	33.7	-43.9	-30.6	10.0
NB	668	772	546	718	919	1150	750
%	-12.0	15.6	-29.3	31.5	28.0	25.1	-34.8
QUE	30338	24565	23128	22123	19664	18000	20100
%	-29.0	-19.0	-5.8	-4.3	-11.1	-8.5	11.7
ONT	42825	39826	30224	26504	27904	18800	22500
%	6.3	-7.0	-24.1	-12.3	5.3	-32.6	19.7
MAN	1854	1118	450	361	627	450	500
%	-47.7	-39.7	-59.7	-19.8	73.7	-28.2	11.1
SASK	1610	523	330	223	385	475	475
%	-15.3	-67.5	-36.9	-32.4	72.6	23.4	0.0
ALTA	1689	2367	3418	2714	4448	5400	4700
%	30.4	40.1	44.4	-20.6	63.9	21.4	-13.0
BC	12726	17282	18242	13540	19149	24400	22200
%	1.1	35.8	5.6	-25.8	41.4	27.4	-9.0
CAN	94097	89414	79315	69630	75420	*70500	*73000
%	-11.1	-5.0	-11.3	-12.2	8.3	-6.5	3.5

SOURCE: CMHC.

(F) Forecast.

\* Total does not add due to rounding.

## MLS Activity

### Total Residential Sales (units and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	2217	2040	1998	1892	1829	1850	1900
%	16.3	-8.0	-2.1	-5.3	-3.3	1.1	2.7
PEI	505	626	742	764	604	650	700
%	-0.4	24.0	18.5	3.0	-20.9	7.6	7.7
NS	5734	5863	6072	5811	7107	7300	7200
%	-2.9	2.2	3.6	-4.3	22.3	2.7	-1.4
NB	3518	3490	3316	3259	3550	3600	3700
%	19.3	-0.8	-5.0	-1.7	8.9	1.4	2.8
QUE	30503	30618	28067	28005	31946	31500	33000
%	2.0	0.4	-8.3	-0.2	14.1	-1.4	4.8
ONT	160578	142914	102792	126143	131381	120000	134000
%	19.5	-11.0	-28.1	22.7	4.2	-8.7	11.7
MAN	11129	10375	9356	9521	11383	10350	10700
%	-10.0	-6.8	-9.8	1.8	19.6	-9.1	3.4
SASK	7301	6850	6405	6505	7829	7330	6950
%	-7.3	-6.2	-6.5	1.6	20.4	-6.4	-5.2
ALTA	30368	36249	33085	34360	38545	37000	36000
%	9.9	19.4	-8.7	3.9	12.2	-4.0	-2.7
BC	67460	83562	58027	84554	93564	82100	85000
%	19.7	23.9	-30.6	45.7	10.7	-12.3	3.5
CAN**	319313	322587	249860	300814	327738	*301700	*319200
%	14.1	1.0	-22.5	20.4	9.0	-7.9	5.8

### Average Residential Price (dollars and annual per cent change)

	1988	1989	1990	1991	1992	1993 <sup>(F)</sup>	1994 <sup>(F)</sup>
NFLD	76828	83284	88654	90822	91590	92000	93000
%	4.6	8.4	6.4	2.4	0.8	0.4	1.1
PEI	65463	74168	69283	71034	75571	74000	75000
%	11.2	13.3	-6.6	2.5	6.4	-2.1	1.4
NS	79591	82328	84650	86462	89360	92300	94500
%	0.9	3.4	2.8	2.1	3.4	3.3	2.4
NB	72101	75848	77752	80897	82478	85000	87000
%	6.6	5.2	2.5	4.0	2.0	3.1	2.4
QUE	95367	100517	100811	102795	102311	103100	106200
%	10.9	5.4	0.3	2.0	-0.5	0.8	3.0
ONT	161270	184605	175859	173723	162826	158800	161500
%	18.9	14.5	-4.7	-1.2	-6.3	-2.5	1.7
MAN	80427	82401	79961	80445	80686	81300	83200
%	4.4	2.5	-3.0	0.6	0.3	0.8	2.3
SASK	68355	70416	68963	67697	68406	71750	72800
%	3.9	3.0	-2.1	-1.8	1.0	4.9	1.5
ALTA	89554	98542	108675	111482	113558	117750	120500
%	6.7	10.0	10.3	2.6	1.9	3.7	2.3
BC	121040	151504	157616	168235	189999	212000	220000
%	18.8	25.2	4.0	6.7	12.9	11.6	3.8
CAN**	131526	148776	143432	149749	150760	*154600	*159200
%	18.1	13.1	-3.6	4.4	0.7	2.5	3.0

SOURCE: The Canadian Real Estate Association.

(F) Forecast by CMHC.

\* Total does not add due to rounding.

\*\* Excludes Yukon and Northwest Territories.



## Major Housing Indicators

Seasonally adjusted at annual rates  
(levels and quarterly per cent change)

	92:Q1	92:Q2	92:Q3	92:Q4	93:Q1	93:Q2	93:Q3
<b>New housing</b>							
Building permits, units, thousands	178.4	167.8	165.3	164.6	150.1	152.6	161.3
%	-2.9	-5.9	-1.5	-0.4	-8.8	1.7	5.7
Housing starts, total, thousands	169	168	169	169	146	154	160
%	-6.1	-0.4	0.4	-0.1	-13.6	5.5	3.9
Housing starts, singles, thousands	85	92	92	100	74	80	79
%	-10.9	7.9	0.4	8.8	-25.7	7.0	-0.8
Housing starts, multiples, thousands	84	76	77	68	71	74	81
%	-0.7	-8.8	0.4	-10.7	3.9	3.9	8.9
Housing completions, total, thousands	170	175	176	172	150	158	179
%	7.6	2.8	0.9	-2.7	-12.4	4.7	13.8
New house price index, 1986=100	133.8	134.0	134.6	134.9	135.2	135.9	136.4
%	-0.4	0.2	0.4	0.2	0.2	0.5	0.4
<b>Existing housing</b>							
MLS resales, units, thousands	311.4	333.9	339.5	326.1	248.6	341.7	304.1
%	12.0	7.2	1.7	-3.9	-23.8	37.4	-11.0
MLS average resale price, \$C thousands	146.2	150.1	153.4	154.2	151.5	154.6	154.7
%	-0.6	2.7	2.2	0.5	-1.8	2.0	0.1
<b>Mortgage market</b>							
Mortgages outstanding, \$C billions	266.3	272.8	278.8	286.2	290.9	294.9	298.0
%	2.2	2.4	2.2	2.6	1.7	1.4	1.1
Mortgage approvals, \$C billions	83.2	73.6	85.6	90.8	64.5	70.1	..
%	18.7	-11.5	16.3	6.1	-29.0	8.7	..
1-year mortgage rate, per cent*	8.67	8.17	6.50	8.15	7.55	7.25	6.50
5-year mortgage rate, per cent*	10.00	9.93	8.71	9.42	9.32	8.95	8.75
<b>Residential investment**</b>							
Total, \$1986 billions	32.5	32.6	32.9	33.0	31.1	31.7	31.0
%	1.9	0.3	0.9	0.1	-5.8	2.1	-2.1
New, \$1986 billions	15.5	15.4	15.5	15.7	15.3	14.8	14.4
%	-1.6	-0.5	0.4	1.5	-3.1	-2.9	-2.8
Alterations, \$1986 billions	10.1	10.1	10.1	10.3	9.9	9.8	9.8
%	-0.7	0.5	-0.5	1.6	-3.9	-1.1	1.0
Transfer costs, \$1986 billions	6.9	7.1	7.3	7.0	5.9	7.1	6.8
%	15.8	1.7	4.1	-5.2	-14.6	19.9	-4.7
Deflator, 1986=100	132.7	133.7	135.0	135.5	136.2	138.1	138.6
%	0.6	0.8	1.0	0.4	0.5	1.4	0.4

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

.. Figures not available.

\* All indicators are seasonally adjusted except 1- and 5-year mortgage rates.

\*\* Residential investment includes outlays for new permanent housing; conversion costs; the cost of alterations and improvements; supplementary costs; and transfer costs.





















